reason

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By Timothy Condon

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THE FASTEST GROWING CHURCH IN THE WORLD

by Brother Keith E. L'Hommedieu, D.D.

It's quite safe to say that of all the organized religious sects on the current scene, one church in particular stands above all in its unique approach to religion. The Universal Life Church is the only organized church in the world with no traditional religious doctrine. In the words of Kirby J. Hensley, founder, "The ULC only believes in what is right, and that all people have the right to determine what beliefs are right for them, as long as they do not interfere with the rights of others."

Reverend Hensley is the leader of the worldwide Universal Life Church with a membership now exceeding 11 million ordained ministers of all religious beliefs. Reverend Hensley started the church in his garage by ordaining ministers by mail. During the 1960's, he traveled all across the country appearing at college rallies held in his honor where he would perform mass ordinations of thousands of people at a time. These new ministers were then exempt from being inducted into the armed forces during the undeclared Vietnam war.

In 1966 Reverend Hensley was fighting the establishment on another front. The IRS tried to claim the ULC wasn't a legal church and proceeded to impound the ten thousand dollars in the church bank account. The feisty Hensley filed suit against the IRS in federal district court for return of the funds and to permanently establish the ULC as a legal tax exempt entity. On March 1, 1974 Judge James F. Battin ruled against the IRS in his decision which stated, "Neither this court or any branch of this government will consider the merits or fallacies of a religion. Nor will the court praise or condemn a religion. Were the court to do so, it would impinge upon the guarantees of the First Amendment." The judge then ordered the IRS to return the impounded money and to grant the Universal Life Church its tax exempt status.

Reverend Hensley has stated that he believes a church is people and not just a fancy building. He also believes in total freedom and equality for all people. The ULC will ordain anyone without regard to religious beliefs, race, nationality, sex or age.

The ULC's success formula is both effective and unquestionably legal. After a person has become an ordained minister, he or she can join with two other people and form their own Universal Life Church. These three people then make up the Board of Directors consisting of a Pastor, a Secretary and a Treasurer. The ULC will then grant the group the use of its legal church charter complete with both federal and state tax exempt numbers. The newly formed church may then open a bank account in the church's name. Any member of the church can legally donate up to 50% of his or her outside income to the church and take a corresponding tax deduction. The church in turn can pay the complete housing cost of its minister including rent or mortgage payment, insurance, taxes, furnishings and repairs. The church can also provide the minister with full use of an automobile as well as pay for travel and educational expenses. None of these expenses are reported as income to the IRS. Recently a whole town in Hardenburg, New York became Universal Life ministers and turned their homes into religious retreats and monasteries thereby relieving themselves of property taxes, at least until the state tries to figure out what to do.

Brother L'Hommedieu is Chairman of the Board of Trustees of the Sacerdotal Order of the Universal Life and serves on the Board of Directors of the International Universal Life Church, Inc.

Churches enjoy certain other tax benefits over the common man on the street. For instance, a church can legally buy and sell real estate or stocks and bonds completely tax free. It can receive tax free income from bank deposits or mortgages. Many churches own large publishing, recording, or other related businesses like hospitals, clinics and schools without paying any income tax.

A church can sponsor any kind of fund raising event such as a concert, play or even bingo. Churches are also exempt from paying inheritance taxes. When the pastor of the church dies, the Board of Directors simply appoints a new pastor and the church goes on.

Reverend Hensley has stated that he personally doesn't believe in the tax exempt status of churches. However, if the government is going to give a free ride to Billy Graham and the Pope, then why not let everybody participate in these blessings. Furthermore, he backs his words up by offering to defend in court the tax exempt status of his congregations.

Since the church was founded in 1962, it has attracted members who are movie and TV personalities, businessmen, government officials, lawyers, and doctors as well as all types of regular working people. During the last 15 years the Universal Life church has blossomed into a full blown grass roots populace movement. Reverend Hensley is ordaining ten thousand new ministers a week and predicts that the church will have over 20,000,000 members by the early 1980's. In addition, requests for interviews and TV appearances continue to pour in.

Anyone who is a member of the ULC will tell you that the ULC is destined to change the world. By unifying mankind into a brotherhood of freedom orientated individuals, each respecting the other's right to live life as they see fit, the Universal Life Church hopes to put an end to all wars. Reverend Hensley admits that this is a pretty monumental task to accomplish, but he also points out that he is already well on the way to reaching his goal.

Rev. Hensley invites all those interested in becoming an ordained minister and receiving complete information and Minister's Credentials, to send a 10^{00} tax deductible donation to the Universal Life Church, 1335 Seabright Ave., Dept. **813**, Santa Cruz, CA 95062

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WASHINGTON (Special to Comstock) — Officials at the Internal Revenue Service took note of the growing influence of barter on the nation's economy. "Millions of dollars of goods and services change hands every day," a spokesperson said, "yet we have no realistic way to trace the taxable portions of such dealings. If you really want to know, **barter is a pain in the neck. You can't get a handle on it."**

The spokesperson for the IRS went on to say that barter is being used by middle-class people to *avoid,* not to *evade* taxes, and that if the movement spreads, *billions of dollars in taxes will be lost* to the national treasury.

July, 1980

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May 1981/Vol. 13, No. 1

A forum for analysis and commentary, with an emphasis on individual liberty.

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Everyone has a right to an education. . . . Everyone benefits from children's education, so everyone should pay. . . . Parents might neglect their responsibilities. . . . Well, let's see.
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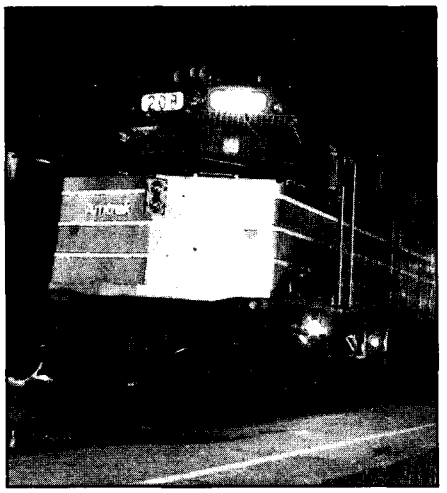

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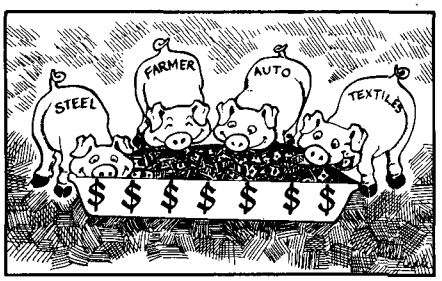

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BACK ISSUES: Write for back issue list for current prices. Volumes 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Volumes 5 and up are available from Xerox University Microfilms, 300 North Zeeb Rd., Ann Arbor, MI 48106. Indexed in *America: History and Life, Historical Abstracts,* and *Public Affairs Information Service Bulletin.*

editor's notes

Ever since 1969 a series of conferences has brought diverse advocates of liberty to Southern California. Now known as Future of Freedom conferences, the first one took place in May 1969 and featured, among others, the late Ludwig von Mises, dean of the Austrian school of economics. Other speakers at that landmark event, the first gathering of what became today's libertarian movement, included REASON's Tibor Machan and Rampart College's Robert LeFevre. Over the next several years the conferences were held annually, with attendance at one topping 700. Thomas Szasz, Nathaniel Branden, Paul Goodman, Murray Rothbard, John Hospers, and other leading libertarian figures have been among the featured speakers.

This year's conference will take place May 8-10 at California State University in Long Beach. Among the luminaries scheduled to speak are former Goldwater speechwriter Karl Hess, Robert LeFevre, economist David Friedman, tax rebel Irwin Schiff, Dr. Timothy Leary, inventor Carl Nicolai (see "Data Privacy: What Washington Doesn't Want You to Know," REASON, Jan.), and your editor. The Friday night banquet will be a tribute to the early years of the libertarian movement, honoring philosopher John Hospers, author of *Libertarianism.*

Events of this type, and the Future of Freedom series in particular, are not only intellectually stimulating; they're a hell of a lot of fun, as well. REASON will be among the organizations with a booth, and I hope to see many of you there. You can get all the information by writing Future of Freedom Conference '81, Box 4, Fullerton, CA 92632.

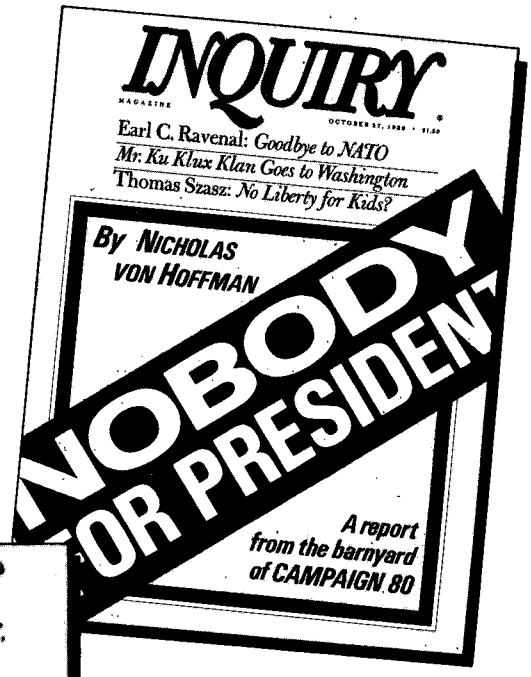
More of REASON's friends are getting jobs in the new administration. Reason Foundation trustee Bill Niskanen has been appointed to the Council of Economic Advisors. Kevin Hopkins, Doug Bandow's coauthor on "The Registration Placebo" (Aug. 1980), is joining Doug as an assistant for policy development on Martin Anderson's White House staff. Anderson's wife Annelise is going to work for Office of Management and Budget director David Stockman. Danny Boggs, a free-market energy expert (and author of the GOP platform plank on energy) is working on environmental and energy matters on Martin Anderson's staff. And my long-time friend Dana Rohrabacher is on the White House staff as a speechwriter. Congratulations to all!

Senior editor and resident scholar Tibor Machan has been hard at work, as usual. He contributed a chapter to the newly published book *Philosophy of Human Rights* (Greenwood, 1981) titled "On Human Rights, Feudalism, and Political Change." Besides sketching the history of human rights, Machan's chapter deals with the ethical problems faced by freedom-seekers in countries where human rights are ignored—such as his native Hungary. At the first of the year Machan attended the annual meeting of the American Philosophical Association, at which he was a commentator on a paper. While in Boston, he was a guest on contributing editor David Brudnoy's popular radio talk show. He also attended a Liberty Fund conference in New York on economics and efficiency and another in Florida on libertarian/conservative fusionism, sponsored by the Intercollegiate Studies Institute. And his provocative *Los Angeles Times* op-ed piece on last year's "Big Business Day" has been reprinted in the Media Institute's *Television Business-Economic News Index.* Machan's latest *Los Angeles Times* piece, "What the Moral Majority Understands, Intellectuals Have Forgotten," appeared on March 1.

More news on the Love Canal front emerged in February. *Science News* reported (Feb. 7) the findings of a task force appointed by the New York State Assembly concerning the allegation that the Defense Department and its contractors dumped toxic waste into the Love Canal and at other sites during World War II. The task force found eyewitness evidence establishing "conclusively that Army personnel openly, concertedly, and repeatedly disposed of drummed materials at Love Canal" in the 1940s and early 1950s. And private defense contractors also dumped "substantial quantities of chemical and hazardous wastes" in the Canal during that time. All of which lends further support to our investigative report's own finding that Hooker Chemical was not the primary culprit in the Love Canal tragedy (see "Love Canal: The Truth Seeps Out," Feb.).

—R. P.

This magazine is too left to be right, and too right to be left.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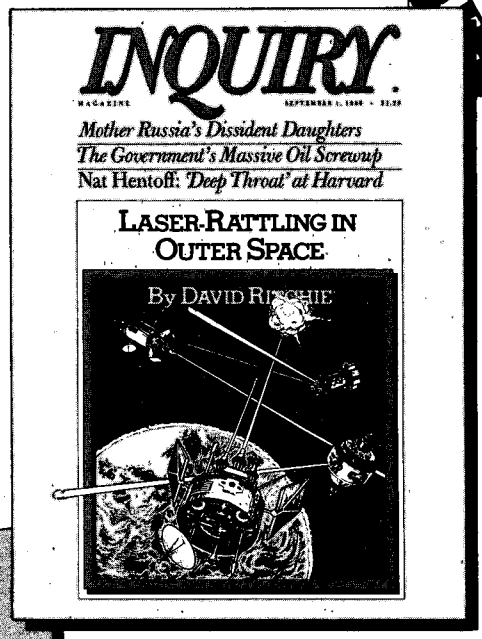
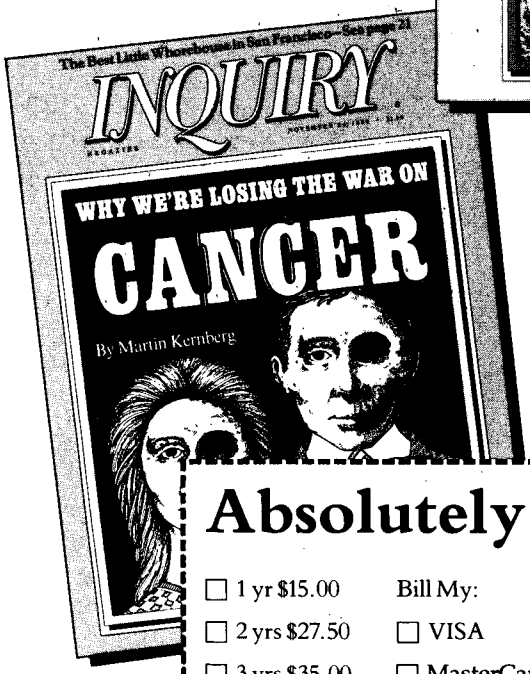
MAGAZINE
Earl C. Ravenal: Goodbye to NATO
Mr. Ku Klux Klan Goes to Washington
Thomas Szasz: No Liberty for Kids?
By Nicholas von Hoffman
NOBODY FOR PRESIDENT
A report from the barnyard of CAMPAIGN 80

You think we're kidding? Well, the *New Republic* called us "the best of the right wing rags." But William Safire says we're "a lively, lefty magazine." Maybe George Higgins of the *Boston Globe* got at the real truth. "*INQUIRY* magazine may be addictive," he warned his readers. "Those guys will flog anybody." We're a young magazine with new ideas, and they don't always sit well with people whose thinking has fallen into a rut.




The Best Little Whorehouse in San Francisco—See page 21
INQUIRY
MAGAZINE
WHY WE'RE LOSING THE WAR ON CANCER
By Martin Kernberg

INQUIRY will make you laugh at the latest blunders of the CIA. It'll make you cry about the latest IRS scheme to pilfer your paycheck. It'll make you grit your teeth in outrage over the real reasons we're losing the war on cancer. And it will make you scratch your head thoughtfully as it takes a hard look at the claims and counterclaims about Soviet military capability. If you're ready for some original thinking—if you're ready for a fresh look at the world we live in—then you're ready for *INQUIRY*.

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FAAA

Facing Reality in Latin America

editorial

THE ESCALATION OF THE CIVIL WAR IN EL SALVADOR into a US-Soviet confrontation has been accompanied by an escalation of hypocritical rhetoric from all points of the political compass.

From several liberal and left-wing circles comes the predictable opposition to any sort of US intervention, all the while turning a blind eye to Soviet/Cuban aid. Writing in the *Miami Herald*, political scientist William LeoGrande complains that the Reagan administration "now proposes to inject massive quantities of economic and military aid, including scores[!] of military advisors"—as if 800 tons of Communist-supplied arms and thousands of Cubans in neighboring Nicaragua did not constitute intervention.

But the conservatives are equally off-base. While denouncing the Carter "human rights" policy for naively attempting to manipulate events and tailor outcomes (for example, in Iran and Nicaragua), Secretary of State Haig and President Reagan are attempting to do the same thing today in El Salvador. Overthrow of the virtually US-installed Salvadorean junta, said Haig in March, would "not represent United States policy" and would carry "serious consequences." A coup against the junta by either rightists or leftists "would be of gravest concern to us," added President Reagan. This from an administration whose nominee for assistant secretary of state for human rights, Ernest W. Lefever, calls himself a "strong noninterventionist" in the internal affairs of other nations!

Some libertarians have also let opposition to dictatorship spill over into support for meddling in other countries' internal affairs. REASON recently turned down an article that detailed the ways in which US policy had propped up Nicaragua's late dictator Somoza. The thrust of this supposedly noninterventionist piece was that the US government had waited far too long before destabilizing Somoza's regime!

A sensible foreign policy toward Latin America, it seems to us, must recognize the reality of two crucial factors. The first is that the countries of the Western Hemisphere are, in fact, sovereign states. A US policy based on the historic pattern of Big Brother paternalism—the policy of Carter's "human rights" as well as Reagan's "anticommunism"—is both wrong and self-defeating. It is wrong because the US government has no right to decide which governments should rise or fall in Latin America. It is self-defeating, as well, because such a policy plays right into the hands of the Soviets and their Cuban proxies by reinforcing the stereotype of Yankee imperialists who side with the oligarchy against the populace.

The second crucial fact is the very real threat posed by Soviet penetration of this hemisphere. The establishment of socialism in Nicaragua, for example, may threaten the rights of a few American business people and property holders, but that is the risk of doing business in unstable countries. It does not threaten the security of the United States. While the socialization of Nicaragua is tragic for the citizens of that country, it is not the proper business of the US government to concern itself with that problem. If Nicaragua becomes a Soviet military base, of course, that's another question entirely.

At this point in time Cuba is the only Soviet military outpost in the hemisphere. The presence of a Soviet submarine base at Cienfuegos is a real, tangible threat to the security of this country, substantially increasing the danger of nuclear attack by giving Soviet submarines an extended range of operations. The pattern of recent Soviet government actions—particularly its orchestration of the massive transfer of arms from Communist countries to Cuba and Nicaragua for shipment to Salvadorean guerillas—makes it clear that the Soviets seek to establish further outposts in Latin America. But they have not yet succeeded in doing so. And US policy should be aimed at preventing them from succeeding.

How? First, by not equating Soviet *aid* to internal rebellions with Soviet control or Communism. The fate of Nicaragua, let alone that of El Salvador, is far from settled. But the more US policy identifies with dictatorships and reflexively opposes rebellions against them, the more likely rebel groups are to succumb to Cuban/Soviet pressure. As far as the internal affairs of sovereign states are concerned, US policy should be "hands off" and "mouth closed."

At the same time, however, it would be foolishly naive to sit back and do nothing while the Soviets and Cubans send millions of dollars worth of weapons into the region. Here is where tough diplomacy could make a real difference. Both the Cubans and the Soviets want certain things from the US government, in exchange for which they might well give up the potential of outposts in Central America. Fidel Castro considers the US Navy base at Guantanamo Bay "a dagger plunged into the heart of Cuban soil." In fact, it is of little real military value to the Navy. What if President Reagan offered to remove it . . . in exchange for the removal of Soviet military bases from Cuba? Brezhnev and Company want access to US grain and technology. What if that access were conditional upon the absence of any arms shipments into the Western Hemisphere?

For the United States to be propping up dictators and oligarchies contradicts the most basic principles of our heritage of freedom. We are a nation born in revolution—a revolution against arbitrary rule and hereditary power structures. A free-market economic system is itself revolutionary, continually producing change that expands people's options—not preserving an established order. What a tragic irony that the feudalistic philosophy of Marx and Lenin, rather than our own truly revolutionary tradition, has captured the imagination of those seeking a better life in Latin America!

One can only hope that—before it's too late—the Reagan administration will recognize the complex realities of Latin America and stop trying to pick winners and losers. By staying out of internal disputes *and* by keeping the Soviets out, too, the United States would once again raise a banner to which the wise and honest could repair.

Robert Poole, Jr.

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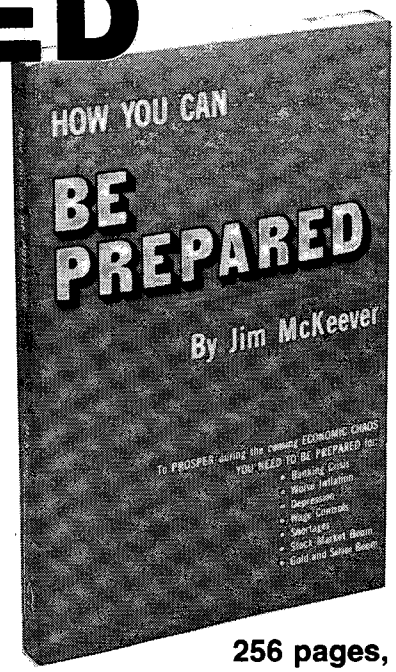

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letters

Audacious Rothbard

Okay libertarian movement, everybody get pessimistic. Murray N. Rothbard says so (Viewpoint, Mar.). I haven't witnessed such audacity since Ayn Rand anointed Nathaniel Branden her "intellectual heir."

Many of us who have been and remain optimistic about the prospects for the libertarian movement have always felt that the brand of optimism which Murray "founded" was a bit detached from reality. The true case for optimism is grounded in the obvious fact that the libertarian movement is growing, steadily and remarkably rapidly. Optimism à la Rothbard—the idea that with but one more regulation from Washington the masses were going to throw off the yoke of the State forever—was always naive and a disservice to the movement....

Public awareness of libertarianism has jumped by an order of magnitude. The organizations, magazines, institutions, and political activities that comprise the movement are larger and better than ever before. There are now literally thousands of committed, quietly confident libertarian activists working throughout the country.

As a political strategist and analyst Rothbard makes a fine economist. His pie-in-the-sky optimism was wrong. So is his pessimism.

Edward H. Crane III
San Francisco, CA

Hasty Prognosis

I must reluctantly disagree with the views expressed by Murray N. Rothbard in his recent column in REASON (Mar.). Rothbard expressed the opinion that the movement toward a free market suffered an important setback in the recent elections. Although the Libertarian Party fared poorly in the recent elections, the libertarian position did fairly well. Though Ronald Reagan will probably not make important reductions in the size and power of government, he was elected precisely because he was perceived as so. If Reagan gives America the rhetoric of free enterprise while pursuing business as usual, the failures that would inevitably follow might then be blamed on the outmoded policies of laissez-faire by our good friends, the Democrats. As the writer of the authoritative book on the Great Depression, Rothbard should know all about that.

What the advocates of laissez-faire must do in the event Reagan does not meaningfully reduce the size of government is to expose the errors in the explanation that we all know will be given by the Democrats. If we fail in this regard, the libertarian position will suffer a real setback. If we succeed, we are back in business.

I think it is too early, however, to say that Reagan will give us business as usual. Although the indications so far are that he will, remember the immortal words of Yogi Berra: "It isn't all over until it's all over."

Christopher Condon
Houston, TX

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Hats Off

I want to congratulate you on the February REASON; the article on the Love Canal Affair is one of the most interesting blockbusters I have ever read. I tip my hat.

Mike Dunn
Federal Way, WA

Facts vs. Fantasies

Eric Zuesse's article on the Love Canal (Feb.) is an outstanding piece of investigative journalism. I hope that you have sent copies of it to news and current affairs magazines (both general and ideological) in the hopes (however faint) that some of them will be willing to look at the facts instead of popular fantasies.

Sharon Presley
New York, NY

Love that Journalism

I have just finished Eric Zuesse's article, "Love Canal: The Truth Seeps Out" and would like to take this opportunity to say that it is one of the best pieces of journal-

(Continued on p. 56.)

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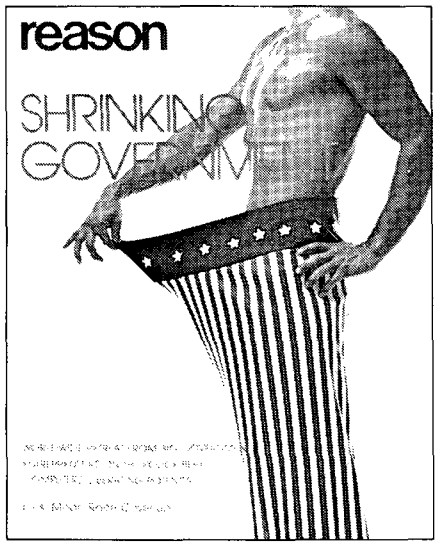

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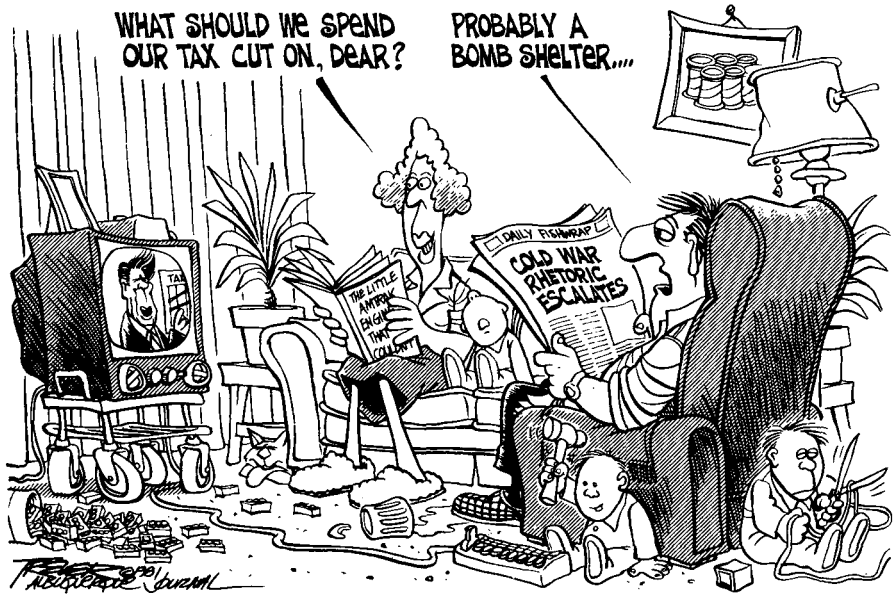
brickbats

☐ **From the most advanced** of all people's democracies comes astonishing news about the New Frontiers conquered by Socialist Man. Writing in the February 1981 *Harper's*, Soviet expert George Fiefer finds: "The preoccupation with acquiring food has reduced even people who had thought themselves well beyond this to a more primitive mode of living. A studious, highly successful technocrat with the title of Senior Engineer takes a knapsack with him to work every few days, for expeditions to food shops. 'The loss of energy and work hours foraging for groceries has become tremendous.' A former university friend takes her laboratory seat briefly in the morning, then leaves to scout 'something decent to eat. Women do this almost openly. If you strike it lucky, you buy as much as possible for reselling or bartering back in the lab.' " Obviously, a few capitalist roaders remain to be exterminated.

And sometimes The People really have to scramble to outfix these reactionary elements! "Buying and selling, resorting to the black market, working an ingenious variety of beat-the-system machinations have been part of Russian life since I first sampled it (in 1959). Now they are a central part. . . . Even the most 'politically conscious' among my former fellow students do no more than mime their civic and professional duties. . . . People describe the general extent of cheating as 'fantastic,' 'colossal,' and 'staggering.' . . . The pretty cosmetics-factory chemist whom I met at a friend's studio put the products of *her* stealing to fine use on her own face, and sold the rest. Her summary was like dozens I heard, and of which I heard no contradictions: 'If you asked 10,000 people in positions like mine to describe the economy's chief characteristic, it wouldn't be socialism, the Plan, or public ownership. They would name fraud, manipulation, some kind of deceit. These have become so much a part of the system that only people with good memories remember concepts like honesty, integrity, and truthfulness at work!' " (And those who do had better mind their manners!)

☐ **Americans are fed up** with Japan. We have had it. And for good reason: not only are they selling us things like cars and steel and stuff too cheaply, but now they are *buying* things from us, as well! Can you believe it? Up in the Pacific Northwest, where our timber companies are hard at work to satisfy *American* paper consumers (and especially the needs of those prolific paper consumers who make our Great Nation work, the Washington, D.C., efficiency team), our *US* paper is being sent to Japan. They are paying us for it, of course, but—and this is really unbelievable, wow—they won't even let our own American-educated work force slice up the logs and grind it into paper products for them. They think they can ship the trees all the way to the Far East and do it cheaper themselves! American paper companies are screaming for a halt to this nonsense. Let's cut 'em off, right now, today! Write your Congressperson: "No More Yen, Not Another Log."


WHAT SHOULD WE SPEND OUR TAX CUT ON, DEAR?
PROBABLY A BOMB SHELTER....
DAILY FISHWRAP
COLD WAR RHETORIC ESCALATES
THE LITTLE AMTRAK ENGINE THAT COULDN'T

☐ **Everybody who has any sense** at all, *we* know, is in favor of all of Ronald the Magnificent's tax cuts. . . and a whole lot more. And Sen. William Proxmire (D-Wisc.) has any sense at all. He wants the Pres. to go literally Bonzo on the budget, with much deeper cuts than even this Hollywood personality dared to ask for. But. . . but. . . everybody's got a but. . . . And Senator Proxmire's but belongs to the dairy farmers. Yeah, that's right, you heard it: Senator Golden Fleece is attacking the administration's request to reduce milk money payoffs to the Cheese State. While it ain't too tough to spot a motive, the scholarly Mr. Proxmire is clever as always, phrasing his principled defense of milk price supports on a University of Wisconsin (*good source*) study showing that the average farm couple works 130 hours per week (65 per spouse) and makes a return of but $2.89 per hour. But then, Mr. Budget-Cutter, the answer is not to continue the dairy farmer welfare program, but to call the cops: These folks are violating the minimum-wage laws!

☐ **Remember cute little Amy** Carter? Oh, boy, was she ever something else. Well, just before Nancy Reagan kicked her (and the rest of the Carters) out of the White House, she had this funny homework assignment—a question on the industrial revolution. It was a Friday, and she had 'til Monday to figure it out. She couldn't. So she asked her Mom. Rosalyn didn't know. She didn't ask her father. (She must have known that *he* wouldn't know.) And Billy was out of town, so the family was really short on brains. But they still lived in the White House. And so Amy's Mom called over to the Department of Labor, asking if *they* might know. And they did. About Sunday mid-afternoon, a van pulls up in front of the White House and begins unloading a formidable mountain of computer print-outs, data, and scholarly research. Thinking the request was from Himself, Labor had a special computer unit working overtime—at a few hundred thousand dollars. And Amy? She got a "C."

—Thomas W. Hazlett

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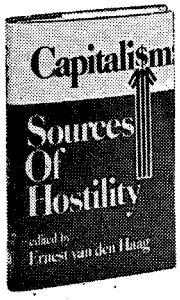

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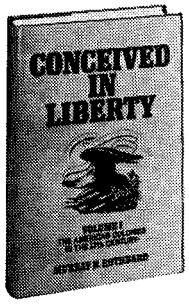

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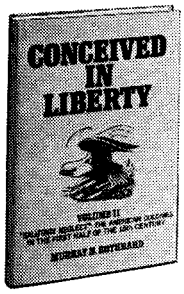

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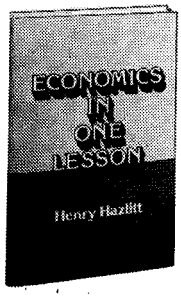

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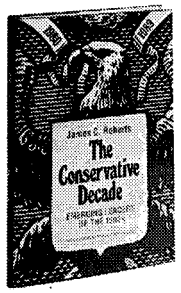

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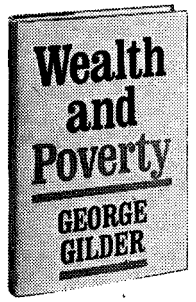

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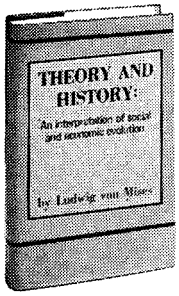

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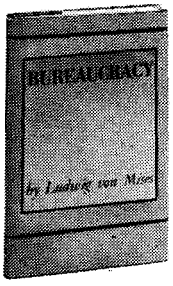

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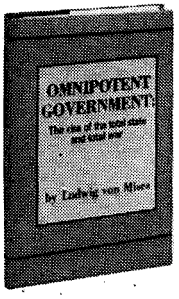

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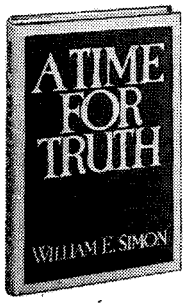

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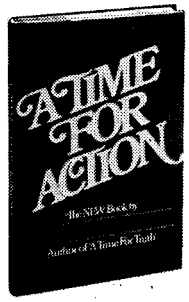

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Prices somewhat higher in Canada and abroad.

trends

Through-the-Roof Housing Costs

Most of those who have thought through the issue realize that where supply for a demanded product is restricted, prices will rise because they are the natural allocating mechanism. It should come as no surprise, then, that local land-use controls have contributed up to 28 percent of the rise in the cost of a home in northern California, while moratoriums on water hook-ups and downzoning to lower-density uses of property have added up to 25 percent to the price of a home in Santa Barbara County, California. The surprise is, one supposes, that so few people expected these results.

According to a paper by Kenneth Rosen, chairman of the Center for Real Estate and Urban Economics at the University of California in Berkeley, and Lawrence Katz, land-use regulations effectively keep housing costs "at a level high enough to prevent low, moderate and middle income families from finding houses [in the Bay Area] at prices they can afford." This is precisely the point that land-use proponents seem to ignore when they advocate larger minimum lot sizes or lower-density zoning—that controls *cost,* and that the benefits of clean air or open space or less traffic must be traded off. It may seem compassionate to fight for larger apartments (when a builder can only put, say, 20 instead of 35 units on a piece of land, he'll make them bigger so as to recover his cost); but the larger apartments always cost more and therefore drive out just the population most in need of housing relief.

In the city of Santa Barbara, for example. a "growth management" plan was passed in 1973 and added to in 1975 by the City Council. It halved the densities formerly permitted and lowered the population goal from 140,000 to 85,000; it also increased minimum lot sizes, so that densities dove from a maximum of 30 units per acre to a maximum of 12. Furthermore, as a paper by Lloyd Mercer and W. Douglas Morgan of the University of California at Santa Barbara demonstrates, in 1972 an artificial "water crisis" was declared in surrounding areas, paving the way for a water moratorium in three surrounding water districts in 1973. Mercer and Morgan contend that the "crisis" was simply that water prices were too low and therefore water was being used uneconomically. (A rise in water prices in 1973 and 1974 caused a significant decline in water use. Not one to let the facts confuse them, one of the water districts promptly lowered water prices to homeowners and raised them to agricultural users.)

Mercer and Morgan conclude that these and other growth restrictions are responsible for 25 percent of the tripling of housing prices in the last decade. Since they are *not* costless ways of attaining desirable results, they warn, "such costs should be included in future decision making regarding growth controls."

Reagan to IRS: Cut Staff

The Reagan administration has ordered the Internal Revenue Service to reduce its staff by about 6,000 persons, thus saving some $146 million a year. The IRS is appealing the order to the Office of Management and Budget on the grounds that such a staff cut could lose the government as much as $1 billion in tax revenues and affect efforts to improve auditing and enforcement efficiency.

Although the IRS cut comes to only seven percent of its total staff (86,400), so far it is the largest cut in numbers. The Consumer Product Safety Commission has been told to cut 30 percent of its staff, while the Bureau of Alcohol, Tobacco and Firearms has been told to cut 15 percent.

The Carter Administration had planned for an increased IRS staff for fiscal year 1982, with a budget of almost $9 billion. Part of the increase was attributed to the new "windfall profits" tax, which would of course require more processing and more auditing. One of the arguments put forth by the administration, however, is that since tax rates are likely to be reduced, fewer people will be motivated to cheat on their tax forms, and therefore fewer auditors will be needed.

User Charges for Airports, Waterways

Office of Management and Budget Director David A. Stockman has proposed higher user charges for airports and waterways as a way of reducing federal subsidies to those operations—subsidies now totaling about $2 billion annually. Stockman hopes to have them totally self-supporting eventually.

The airport increase would be on the tax on air fares, to nine percent from five percent. The increase would finance the air traffic control system, which now costs some $1.5 billion a year.

The waterway tax increase would be on the four-cents-a-gallon fuel tax for barges and such waterway users. It currently costs taxpayers $500 million a year for the Army Corps of Engineers to maintain American waterways.

Cultural Cable

For almost 17 years now, the Public Broadcasting System (PBS) has justified its taxpayer-supported existence by contending that cultural programming just doesn't pay; that if not for PBS, viewers would be left to the likes of *Three's Company* and *Hee Haw.* PBS's proponents may have been right about the lack of broad-based, profitable backing for its cultural fare, but at least five new cable companies plan to prove that cultural cable can be viable.

The key, it seems, is market segmentation. Cable and pay-TV companies stay afloat either by charging monthly subscriber fees or by offering advertisers a direct line to their kind of audience. The beer company Anheuser-Busch, for example, has signed a $25-million, five-year advertising contract with Getty's Entertainment and Sports Network—which presumably attracts the "beer-guzzling sports fan." Current pay-TV companies have made a success by offering popular movies and drama fare; there are over two dozen in existence today.

And now, culture. Already one independent cultural network has begun broadcasting (or "narrowcasting," as they put it). It is called "Bravo" and is offered as the Sunday-Monday portion of a seven-day schedule that is filled with "Escapade" offerings (R-movies) on the other days. Other prospects are: ABC and Warner-Amex's "Alpha"; CBS Cable; PBS's own "Public Subscriber Network"; and the recently formed RCTV's "Bluebird," which holds the first option on all BBC programming beginning in 1982. Start-up dates for these cultural systems range from April this year to 1983.

The Hearst Corporation and ABC Video have further collaborated on a new cable network, "Beta," which will focus on "upscale, aware" women's interests. As

Hearst owns some 21 magazines aimed at women, including *Cosmopolitan*, *Good Housekeeping*, and *Harper's Bazaar*, there will be no lack of material.

The competition for cultural offerings, incidentally, comes at no better time. President Reagan announced plans in his February speech to Congress to cut $85 million from the annual federal subsidy to the arts and humanities. Furthermore, the task force on public broadcasting appointed by Reagan's transition team has recommended abolishing the Corporation for Public Broadcasting, the agency that channels federal money to PBS and to public radio stations.

Fran Griffin, head of the six-member task force, remarked: "It's more than just CPB. The whole issue is whether public broadcasting should be public. Should it use public funds?" With the influx of cultural cable, it seems PBS's arguments for existence are rapidly diminishing.

Comparable Worth: Market or Mandate?

In 1976, nurse Marilyn Shahan and eight other nurses sued their Denver city employer, claiming that nurses as a group were underpaid compared with other city jobs. US District Court Judge Fred Winner ruled that the law recognizes discrimination against *people* but not against *jobs*. Female clerical workers at the University of Northern Iowa had earlier sued the university on similar grounds, alleging that female-dominated occupations were lower-paid than male-dominated ones (e.g., library assistants as compared with boiler room operators) and, despite beginning at the same labor grade, earned far less over the period under examination (1970-77). The university argued that maintenance workers were in short supply in the local job market and hence salaries for those jobs had to be higher to attract workers. The District Court judge hearing the case ruled against the clerical workers on technical grounds.

The issue at question here is no longer whether people should be paid equally for equal jobs—that a male bank teller should be paid no more and no less than a female bank teller; that has passed from the radical to the acceptable. The issue, some groups insist, is that jobs have an "inherent worth" having nothing to do with the market and should be paid according to that worth. Certain quarters are now pushing for regulation to make this concept mandatory, at least among government employees. Among the groups that have studied and endorsed the concept of "comparable worth" thus far are the Office of Federal Contract Compliance Programs, the Equal Employment Opportunity Commission, the AFL-CIO, the Washington Federation of State Employees (affiliated with the American Federation of State, County, and Municipal Employees), and the Washington Department of Personnel. *Ms.* recently carried an article strongly in favor of comparable worth, while more critical articles have appeared in *Business Week* and *Atlantic Monthly*. Comparable worth is clearly going to be a major issue.

The *Atlantic Monthly* article details some statistics that belie the contention that sex discrimination is the sole cause of pay discrepancies. "In all three cities [New York/New Jersey, Chicago, and Los Angeles], female secretaries earn more than nurses," author Vivienne Killingsworth points out. "Secretaries also earn more than male truckers in the Los Angeles area and more than male electricians, machinists, and truckers in the greater New York area."

There is no denying the fact, however, that the infiltration of males into a female-dominated profession tends to upgrade the status—and sometimes the pay scale—of an occupation. This has less to do with management sexism, if any, than with the way society is. In an article in the *Wall Street Journal* on such incursions into female-dominated professions, male nurse Donald Olayer points out that men are more assertive, that they tend not to "buy the Florence Nightingale garbage they teach in nursing school," and that men organize to fight for better status and pay—perhaps

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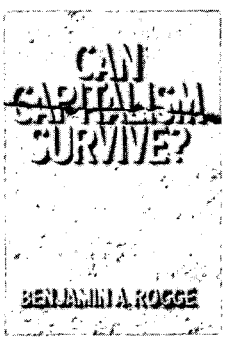

Can Capitalism Survive?

By Benjamin A. Rogge

Penetrating, witty, and wise prescriptions for our day, by the late Distinguished Professor of Political Economy at Wabash College. Rogge explores the prospects for capitalism, the philosophy of freedom, the nature of economics, and what must be done to ensure the survival of capitalism and free institutions. "Provocative" —*Library Journal*. "Delightful" —*Personal Finance*. "Well-reasoned, gracefully written, and gently humorous"—*National Review*. Hardcover $9.00, Paperback $3.50.

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simply because of the way they were brought up.

The main problems with *mandatory* comparable worth pay scales, say its detractors—including the Urban Institute and the Equal Employment Advisory Council (EEAC), both in Washington—are that they are likely to produce layoffs in the female job sector, so that the fewer workers remaining can be given the higher pay; and that women will be given very bad career signals to stay in female-dominated jobs. "The government should be trying to break down barriers against women in fields like engineering, not looking for ways to get pay increased in fields like library work," says Dr. June O'Neil, director of the Urban Institute's Program on Women and the Family.

Meanwhile, the pro-business advocacy group EEAC has put out a book on the matter: *Comparable Worth: Issues and Alternatives*, in which various authors contribute essays that mainly point out the fallacy of disregarding the market when setting pay scales.

FTC, Synfuels May Be Curbed

Two popular programs—under the Carter administration anyway—are showing signs of withering under the scrutiny of budget-minded Reagan advisors. The Federal Trade Commission, notes a Reagan transition team report, has performed inadequately, and a "further narrowing of the agency's authority and a more explicit description of the agency's mandate" is required. Second, construction of several synthetic fuel plants under Energy Department grants may be suspended while the Reagan administration reworks the government's financial liability in such projects.

The transition team's FTC report recommended the appointment of a new chairman who shares more of Reagan's "basic philosophy." It also called for a 6.5 percent reduction in the fiscal 1981 budget, followed by a 24.9 percent reduction the following year. Such cuts, the report contended, could be made by eliminating FTC regional offices and by ending the funding of outside organizations, usually consumer groups, that participate in FTC proceedings. The FTC should also redirect its focus, the team's report suggested, on monitoring industry self-regulation, rather than on imposing regulations.

The synfuels program, on the other hand, is a messy one involving the Department of Energy and other governments. In his speech to Congress in February, Reagan noted that the government could save $3.2 billion at least "by leaving to private industry the building of plants to make liquid or gas fuels from coal." Current negotiations have non-federal government sources liable for only five percent, at most, of the cost; White House advisors would increase that to at least 40 percent. At press time, the president had not yet appointed a new chairman or the six other board members for the quasi-governmental US Synthetic Fuels Corporation, formerly headed by Carter appointee John Sawhill. The corporation was set up in 1980

A newspaper is not for just reporting the news as it is, but to make people mad enough to do something about it.
— Mark Twain

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What Shall They Do?

I came into the free market community about a dozen years ago and, thereafter, spent 2 or 3 years cleansing my mind of collectivist garbage and learning the ways of the free market - a never ending process, of course. After I substantially learned the free market, I asked those before me: "What shall I do next?"

"Go, and teach the free market to others," was the answer.

I pondered for a minute and inquired: "What shall the others do after they learn the free market?"

"They shall go and teach it to others, as well," came the response.

"What, then, shall the new others do when they learn the free market?"

And, I'm sure you can guess the answer. No one would give me the answer I sought: Go, and *PRACTICE* the free market. It took me too many years to realize that only *I* could give that command . . . and, only to myself. Since that comprehension, I've spent my time developing a technology by which to practice free market principles. Although it is not yet developed to perfection, this technology is being used today and, if you employ it, you may:

- reduce or eliminate your personal or business income tax, without using wasteful tax-deferral schemes;
- conduct your affairs openly, so you'll no longer seek hiding places or excuses for them;
- remove the source of fear or terror caused by the threat of government invasion or harassment, releasing your energy for productive purposes;
- avoid the draft;
- and more.

This technology allows the *immediate* enjoyment and practice of free market principles, for those who *independently* choose to practice liberty, that is. No one will allow or command you to practice liberty; for, tyrannies allow or command: freedom does not.

For information, send $3.80 for a copy of my book ***Law v. Freedom*** (add $3.00 for overseas shipment) or send three U.S. first-class stamps for data regarding our one day seminar: **THE FREE MARKET** (how to establish a free market business trust).

Anthony Hargis

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to oversee a $20-billion program of loan guarantees and price supports to encourage the production of liquid and gaseous fuels out of coal and shale oil. In late February, Reagan acted to cut back on the salaries and fringe benefits that would have been offered to these officers.

Private Buses Bring Lower Fares

Ever since the British government ended its monopoly on express bus service in October 1980, the number of passengers commuting on both state and private buses has boomed while fares have plummeted. The *Free Nation*, a London free-market-oriented newspaper, reports that the private British Coachways has thus far achieved a seating occupancy in excess of 80 percent on all of its eight routes.

British Coachways first challenged the state-owned National Express by lowering standard fares on its routes, which the National Express was soon forced to follow. The fare from London to Birmingham, for instance, had been £5.40 under the monopoly service but is now only £2.00 because of British Coachway's competition (both companies charge the lower fare today).

The lower fares have further attracted more passengers. British Coachways carried over 10,000 passengers alone in its first month of operation. It expects to add at least three new routes from London in the near future.

Louisiana Loosens Home Study Laws

Woody Jenkins has pushed through the Louisiana House a bill, Act 828, which allows parents to educate their children at home. The bill is quite explicit about giving leeway to various types of schooling—if one reads through the clever legalese.

The bill first states that nongovernment schools that receive no local, state, or federal funds "shall meet such requirements as may be prescribed *by the school* or *the church*" (emphasis added)—and not by the Board of Education. Act 828 then asserts that a child who participates in a home study program approved by the Board of Education is fulfilling his or her compulsory attendance obligations. And "a home study program shall be approved," says the act, "if it offers a sustained curriculum of a quality at least equal to that offered by public schools at the same grade level," obviously not a difficult requirement to meet these days. The use of the phrase "shall be approved" is generally recognized as prescriptive rather than advisory.

Private Medicine for Prisoners

In a classic case of the division of labor's beneficial effects, certain state prison systems are finding better health care for inmates through contracting with private medical groups. "There are people better qualified than wardens to know how to run a medical program in prison," Illinois Department of Corrections Acting Director Mike Lane says.

Lane started contracting for doctors' time when he was the warden at Menard Correctional Facility in 1977. It worked so well that prisoners now enjoy the care of prestigious doctors and dentists under contract to private firms—professionals who would never have been caught dead as "prison docs." And while private firms cost more (Illinois's average spending per inmate increased from $335 in 1975 to $835 in 1980), by providing better health care they save the state millions of dollars in legal expenses resulting from suits over inadequate care.

In St. Louis, Correctional Medical Systems, Inc., supplies a package of administrators, doctors, nurses, drugs, and

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malpractice insurance to three prisons in Illinois and four in Georgia. In New York City's Rikers Island facility, a contract with Montefiore Hospital has lowered the suicide rate and brought better screening for tuberculosis and venereal disease.

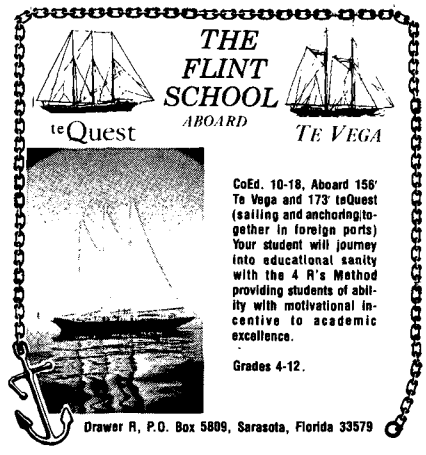
Free Trade Zones Prosper

REASON readers may remember a June 1978 article we published by Prof. Alvin Rabushka called "Pockets of Free Trade in an Unfree World." Well, the notion of free trade zones (FTZ) is slowly coming to light not only in Rabushka's East, but in the rest of the world. Europe leads the pack with over 90 free trade zones, followed by Latin America and the Caribbean with about 85, the United States with 63, Africa with approximately 54, the Far East with some 38, the Mideast with 25, and Mexico with eight.

Free trade zones are basically fenced-off areas with very few, if any, taxes on imports, labor, and exports produced within the area for a set length of time. Red tape is kept to a minimum to attract investors and is generally handled by only one bureaucracy. The concept's economic potential in the underdeveloped countries can be demonstrated by the success FTZs have had in Sri Lanka. In the last year, the new pro-free-market government of Junius Jayewardene has been wooing foreign investors with the promise of relative political stability and liberal FTZ benefits. The US Motorola Semi-Conductors Company, for instance, signed an agreement with Sri Lanka in October for a $22 million project in exchange for 100 percent foreign ownership, free transfer of profits, and no taxes for the first 10 years. As Jayewardene told Ben Wattenberg in a television interview, "Let the robber barons come!"

The real surprise, though, is the existence of so many FTZs in the United States itself. The devaluation of the dollar against foreign currency has caused a boom in the last few years. The 40 operating FTZs in America—of 63 approved by the Commerce Department's Foreign Trade Zones Board—comprise some 1,100 companies which employ about 11,000 people. A majority of the multinationals who use US FTZs are foreign-owned (70 percent), such as Olivetti, Volkswagen, and Sony. Some of the American firms which operate in FTZs are Sears, Ford, and General Foods.

Columbia University economist Jagdish Bhagwati recommends that FTZs be used as a way to "smuggle in" free trade. "You design...six little Hong Kongs," he says, "and you hope that eventually they will dominate all of India." Or, better yet, all of the globe!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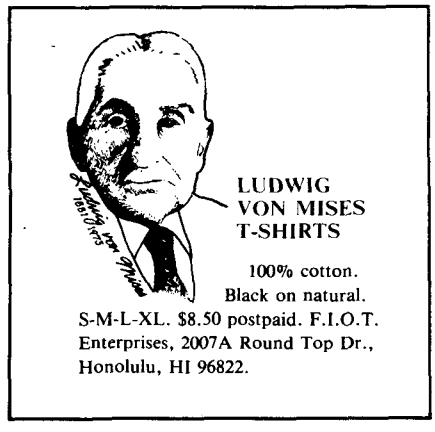

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Marijuana Mess

In January, Trends reported on a California state program to test marijuana's post-chemotherapy, nausea-reducing qualities (and those of its synthetic equivalent, THC). At that time, start-up had been "indefinitely" delayed by the federal government's inability to supply the necessary quota, a situation made especially ridiculous by the presence of counties in California where marijuana is the largest cash crop.

Well, more than half a year later the snafus have yet to be untangled. About 5,000 cancer patients who hope to be involved in the project and 220 California physicians are still frustrated over the federal government's bungling; they have been waiting since the program was okayed in January 1980. Even state officials were surprised to learn that the federal government had destroyed a portion of its legal crop (grown courtesy of the National Cancer Institute), while failing to deliver on its promises.

Part of the problem, it seems, is warring bureaucracies. California asked the National Institute of Drug Abuse (then the only legal grower of the crop and manufacturer of THC) for $1 million worth of THC capsules. And according to NIDA official Robert Willette, "That exceeded the total federal supply." As Willette told it to the *Los Angeles Times*, NIDA "viewed the request with surprise and found it must have taken a certain amount of gall to ask for so much." So NIDA has proceeded to do nothing, although as Willette admitted, the California program had been approved by the US Food and Drug Administration.

Meanwhile, doctors' prescriptions for the legal marijuana have expired and must now be renewed—another bureaucratic delay. In 1980, the California government destroyed over 200 tons of illegal confiscated marijuana. And in 1981, cancer patients are still suffering.

Milestones

• *County Boots Rent Control.* Montgomery County, Maryland, Executive Charles W. Gilchrist vetoed a bill that would have extended the last rent control law in suburban Maryland. The bill would have raised the maximum allowable rent increase on about 15,900 covered apartments from the previous rate of 10 percent annually to a figure linked to the Consumer Price Index. Gilchrist said that *any* rent controls would continue to discourage rental construction and encourage condominium conversions.

• *India's Black Bonds.* India's government is now offering high-interest, nontaxable bonds to anyone who will purchase them with black market money only. The bonds, paying 20 percent interest to "the bearer," are being issued in order to draw out money from the underground economy, estimated to be fully half as large as India's legal cash flow. Some critics of the anonymous bonds argue that the government is condoning the black market; others complain that the interest rate offered is not

high enough to compete with other non-taxed investments.

• *The Shortest Distance Between...* The Common Market Council is considering a modest deregulation of European air travel. Basically, a commission is proposing that direct interregional routes, bypassing the larger, central cities, be allowed together with more control over regional tariffs and some sort of consumer reaction forum. The commission expects to save 15 to 20 percent per passenger.

• *Deregulated Spirits.* Gov. Dick Thornburgh of Pennsylvania is proposing to turn over liquor sales in that state to private enterprise, Pennsylvania being one of the remaining 18 states that monopolize the sale of distilled spirits and wine. The governor expects the state to make $250-$300 million in revenue through the sale of liquor licenses if his proposal is accepted.

• *Legislative Veto.* Does Congress have the right to veto executive decisions? That controversy, mentioned in a January Trends item, is still unresolved and will probably be examined by Congress in the near future. A court case is now under consideration in Denver, concerning Congress's veto of four sets of proposed regulations from Education Department Secretary Shirley Hufstedler, who was then advised by Attorney General Benjamin Civiletti to ignore the "unconstitutional" veto. She went ahead with one of the reforms and is now being sued.

• *DMSO Legalized.* Florida's legislature has signed into law a measure legalizing the manufacture of dimethyl sulfoxide (DMSO), a drug that allegedly helps ease arthritis. Its legalization, proponents say, will bring the price down from $200 a pint on the current black market to between $5 and $10.

• *A Sight for Sore Eyes.* A current Mobil Corporation print ad is headlined "It's all 'ho-hum' to Adam Smith." The ad points out that the flurry of natural gas exploration after Congress passed legislation raising the price ceilings on newly discovered gas made the front page of the *New York Times,* although it was an occurrence that Adam Smith could have predicted 200 years ago. After listing impressive free market arguments for the decontrol of gas and oil, the ad praises the concept of profit, "the most effective mechanism man has ever devised to direct the flow of capital to where it's needed most."

—Robert Poole, Jr., and Christine Dorffi

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AMTRAK:

Congress's Toy Trains

Like papas at Christmas time, the members of Congress love to give their districts trains. The price tag? A cool billion dollars a year in taxpayers' money.

By Jeffrey Shedd

I am sitting in the Springfield, Massachusetts, train station at two in the morning, waiting for the scheduled arrival of Amtrak's Montrealer train, a daily long-distance run from Washington, D.C., through New England, to Montreal. The station is small, sterile, and dull, with cheap plastic chairs and nothing on the walls save one or two "America's Getting into Training" posters provided by Amtrak. I imagine that, even if crammed with people, this station would be small, sterile, and dull, not like modern airport terminals and not like the grand old railroad stations of the past that must have brimmed over with energy and excitement (or so I'm told—I'm too young to remember).

The crew that will take over the train here is waiting in the station also. Mostly they're old railroaders, and they're talking about last

Amtrak

night's wash-out. The Montrealer's passengers were transferred to buses because the train couldn't make it through a flood on the track, and the crew is critical of the way the transfer was handled. But three and a half hours from now, after they pull into the station at White River Junction, Vermont, they'll be relieved by another crew and go home with a full day's wages for their work—courtesy of you, the US taxpayer. Perhaps this is why their criticism is muted. I ask them their opinions about Amtrak management; they tell me the subject is off-limits to outsiders.

About 2:30 the train pulls in, 15 minutes late. I board and note that less than half the seats of this six-coach train are occupied. It seems a waste.

One coach is hotter than the rest. I choose to sit there because the early morning Springfield weather has chilled me. There are only four other people in the entire car—a young family sleeping up front, probably on vacation.

My peace is interrupted only by a conductor taking tickets and by an electrician who flicks a switch somewhere, turning on full-blast a blower that transforms my toasty car into an icebox in a matter of minutes. I switch cars. The young family sleeps on.

Passengers seem generally content with the 40-mile per hour pace of the train and with the service offered by the numerous attendants and crew members. Not many dress wealthy, although very few appear poor. There are occasional trips to the café car to purchase tax-subsidized hot dogs, Coke, or beer.

As we pull into Montreal's central station, it occurs to me that this is one of the few times I have gotten something for the taxes I pay to the government. You, the taxpayer, pick up an average 60 percent of the tab for Amtrak passengers' travel. The Montrealer alone is a $12-million-a-year loser of taxpayers' money, and it's just one among many in the Amtrak system.

In 1970, when Congress and the Nixon administration agreed to continue passenger rail travel in the face of growing public preference for auto, bus, and plane, a modest $40 million was put up to get Amtrak rolling. In 1981 Amtrak is still rolling, and the taxpayers now are laying down nearly $900 million a year for it. Amtrak officials enthusiastically predict that the system will soon achieve "a permanent and ever more crucial role in our national transportation system." More realistically, the Interstate Commerce Commission notes that "Amtrak seems to have stabilized into a position of permanently subsidized operations."

Amtrak—formally, the National Railroad Passenger Corporation—was created from the remains of a heavily subsidized, over-regulated industry. Prior to 1940, government aid to railroad construction totaled $1.4 billion, in many forms and from every level of government. Cities, towns, and states went into debt to purchase stock, guarantee railroad bonds, and make outright donations. States added eminent domain powers, monopoly privileges, and tax exemptions. Creative North Carolina turned over gangs of convicts so that local railroaders could build their roads cheaply! The federal government chipped in with remissions of duties on railroad iron, grants of oversized rights of way, direct loans, and land grants—in all, totaling 1.3 million acres—an expanse of land equal in size to Michigan, Wisconsin, Illinois, Indiana, and nearly half of Ohio.

Though this aid to railroads contributed to the opening of America's frontiers and speeded commercial growth, it also had unfortunate consequences. Government largess lured

speculators and swindlers into the rail industry. Early rail builders quickly learned that nearby communities that desired rail service could be played off one another to maximize handouts. The price of a rail connection could be high—in 1880 Superior, Wisconsin, granted one-third of all the city's property to the Northern Pacific for such a connection.

And subsidies bred corruption. During the scandal-ridden Grant administration the federal government heavily subsidized the building of the Union Pacific's link in the nation's first transcontinental railroad. Corrupt congressmen and rail leaders formed the Credit Mobilier construction company to milk the government for all it was worth. Charles Francis Adams, president of the Union Pacific, described Credit Mobilier's operations: "The members of it are in Congress, they are trustees for the bondholders, they are directors, they are stockholders, they are contractors; in Washington they vote the subsidies, in New York they receive them, and in the Credit Mobilier they divide them."

Government aid contributed also to the overbuilding of the railroads. A route map of the eastern and midwestern United States in 1920 looks like the web of a spider gone mad. As might be expected in an overbuilt industry, competition was intense. One result: whenever a recession struck, many weaker companies went under, leaving small investors and local governments holding worthless pieces of paper. The depression beginning in 1893, for instance, wiped out 67,000 miles of track. Public dismay over this recurrent problem led states to erect constitutional limits to the power to aid railroads by going into debt.

Though many railroaders, such as James J. Hill and the Vanderbilts, were builders and bold risk takers, the swindles and bankruptcies created resentment against the railroad industry as a whole. Further, the common railroad practice of granting more favorable rates to larger shippers and for longer hauls angered small shippers and farmers. They saw the railroader as a "robber baron" and demanded government regulation. In the late 19th and early 20th centuries, consumers, too—some of them victims of local railroad monopolies, others simply caught up in the general antibusiness sentiment of the day—took up the cry for regulation of the rail "monopoly."

Rail executives and their bankers couldn't have agreed more: their industry needed government regulation—although they saw competition, not monopoly, as the disease to be cured. Wrote Aldace Walker, chairman of the board of the Atchison, Topeka and Santa Fe, in 1891: "The phrase 'free competition' sounds well enough as a universal regulator, but it regulates by the knife. Unless the weapon in turn itself is held in check it is too dangerous an agency to be endured."

This strange overlapping of interests between consumers and railroaders culminated in the creation in 1887 of the Interstate Commerce Commission (ICC), which, through amending legislation passed in the early 1900s, was given the power to govern railroads' rates and routes. Richard Olney, counsel for the Boston & Maine Railroad in 1887 but later to be US attorney general, expressed the widespread railroad sentiment:

> *The Commission, as its functions have now been limited by the courts, is, or can be made, of great use to the railroads. It satisfies the public clamor for a government supervision of the railroads, at the same time that that supervision is almost entirely nominal. Further, the older such a commission gets to be, the more inclined it will be to take the business and railroad view of things. It thus becomes a sort of barrier between the railroad corporations and the people and a sort of protection against hasty and crude legislation hostile to railroad interests.*

Unfortunately for the railroads, however, the regulatory body they were so willing to embrace went on to sap their industry of the flexibility and capital needed to adapt to new challenges.

In the passenger-carrying business, the biggest challenge to the railroads came rolling off Detroit's assembly lines. The car, cheaper and more convenient than the train, rapidly gained popularity in America. Between 1915 and 1929, car registrations soared from 548,000 to 4.5 million and surfaced road mileage increased from 256,000 to 662,000. Conversely, between 1920 and 1929, the number of passengers carried by rail declined from 1.3 billion in 1920 to 786 million in 1929. Nevertheless, until 1929 railroad passenger operations as a whole remained profitable.

Then the Depression struck, and railroading fell upon hard times. During the '30s, railroads representing 72 percent of the nation's mileage failed to cover their fixed charges.

Railroads suffered a 45 percent slump in ridership between 1929 and 1933, and passenger service went into the red. Improvement in the economy in the second half of the '30s and during the war reversed the trend, but only temporarily. Once the economy returned to a peacetime footing, meaning more cars and more gasoline, the passenger business again became a loser.

"We lost the rail passenger business at a time when we were providing the finest service in the world," claims a former rail executive. And he's right. In the late '40s railroads, buoyed by wartime profits, optimistically introduced new equipment into passenger service and completed a dieselization program begun in the late '30s. Passengers, however, continued to desert the trains. Between 1946 and 1957 rail passenger miles declined again by more than half, and railroad losses skyrocketed (see table below).

The car was king, and by the early 1950s it was clear to railroad leaders that

THE DECLINE OF THE PASSENGER RAIL INDUSTRY

	Passengers (millions)	Pass. Miles (billions)	Net Revenue (millions)	Pass. Deficit as % of Freight Net Revenue
1920	1,269.9	47.4	—	—
1929	786.4	31.2	—	—
1933	434.8	16.4	—	—
1945	897.4	91.8	$230.1	—
1946	794.8	64.8	- 139.7	18.4
1957	412.6	25.9	- 723.5	44.0
1970	289.5	10.8	- 449.6	26.2

SOURCE: George Hilton, *Amtrak: The National Railroad Passenger Corporation* (Washington, D.C.: American Enterprise Institute, 1980).

the jig was up as far as railroad passenger business was concerned. The addition of the jet plane to the nation's airways later in the decade was simply another blow to an already reeling industry.

The railroads, however were trapped in a regulatory bind. It was not up to them, but up to state railroad commissions, whether unprofitable passenger routes could be abandoned. And the commissions wouldn't budge. To make matters worse, the ICC, which regulated rates, refused to allow the railroads to raise their rates in order to reduce their passenger service deficits. The result was a forced subsidy of the losing passenger service by the profitable freight service.

Railroad executives took the only avenue left open to them: they cut costs. Passenger service was allowed to deteriorate. Sleeping and dining cars were left off many trains. Advertising budgets were slashed. Where they continued to be served, meals became perfunctory; it was said of the Southern Pacific's steaks: "The only thing tougher than that steak is the heart of a Southern Pacific ticket agent."

In 1958 Congress granted the ICC exclusive power to regulate the abandonment of interstate passenger routes. Some railroads proceeded to discourage passengers from riding the trains, knowing that the ICC frequently allowed abandonment if the railroad could demonstrate that its services were unsupported by the public. Railroads no longer gave travel agents commissions for selling train tickets. The Southern Pacific, the most notorious of the passenger-discouraging railroads, eliminated mention of two of its trains from its published schedules, instructed ticket agents to deny that the trains existed, closed the ticket office two and a half hours before the time of departure, and sometimes forced passengers to ride in cabooses. The railroads achieved the desired results. In 1920, 20,000 passenger trains were operated in America; by 1967, only 500 remained.

By 1967 it was clear that railroads would abandon passenger service as quickly as the ICC would allow. The ICC, however, unwilling to bite the bullet, called a virtual halt to abandonment. At the same time, influential rail advocates—including Sens. Claiborne Pell (D-R.I.) and Winston Prouty (R-Vt.) and the National Association of Rail Passengers, a lobbying group—began making plans for an Amtrak-like corporation. In October 1970, in the wake of the bankruptcy of the Penn Central and other northeastern railroads, Amtrak was born.

Nobody, it seemed, wanted to be responsible for the end of US rail passenger service, though there were disagreements initially about how best to save it. I checked through a 1970 congressional report and found that the railroad industry favored private operation of passenger trains, with all operating losses covered by the government. Unions favored a virtual nationalization plan, with government assuming ownership of the rail infrastructure and private railroads contracting for the use of it. It was a compromise between these two that passed overwhelmingly.

In 1970, Congress put up $40 million to get Amtrak rolling; in 1981 it's still rumbling along — on nearly $900 million a year from taxpayers.

Amtrak calls itself a quasi-public corporation; it could just as well call itself quasi-nationalized. It is managed by a president and a 13-person board of directors. All but four of the directors are appointed by the president; the remaining four represent Amtrak's stockholders (the railroad companies that joined the system). Except in the Northeast Corridor, where it bought in in 1976 from Penn Central through the Federal Railroad Administration, Amtrak owns no track or rights-of-way. Nor does Amtrak have its own operating crews. What Amtrak does own is cars, locomotives, and maintenance facilities. It also employs its own service attendants and maintenance employees.

Amtrak contracts with private railroads for trackage rights and for train crews, and its original equipment came from the railroads that joined the system in 1971. Congress permitted such railroads to discontinue their own passenger services, while those refusing to join the system were required to continue their then-existing passenger trains until 1975. Facing such an extortionate penalty, most railroads joined. The last holdout, the Southern Railway, capitulated in 1979.

Originally, Congress expected and empowered Amtrak to issue stock. Railroads that joined were given the option of becoming common stockholders or taking tax write-offs on the equipment they subscribed to Amtrak. Not sanguine about Amtrak's prospects, all but four of the joining railroads chose the tax write-off. For those four, the value of an additional tax write-off on top of those they already had was minimal. Amtrak was empowered also to issue preferred stock to the general public, but plans for such as issue were quickly scrapped when it became apparent that Amtrak would be in no shape to grant dividends.

Amtrak's route structure was to be designated by the secretary of transportation, in consultation with Congress, the ICC, rail labor organizations, the National Association of Railroad Passengers (NARP), and others. As the route designation process ground slowly on, with each group wanting more and more trains added to the minimal system originally proposed by Transportation Secretary Volpe, it became clear that one of Amtrak's major problems would be to operate a successful railroad over a politicized route structure.

Though rail executives and others had long maintained that rail passenger service could be most successful in corridor-type operations between heavy population centers—the only person I talked to who didn't agree with this analysis was Ross Capor, head of NARP—politicians prefer long-distance trains. The reason, of course, is that they traverse relatively more congressional districts than the shorter, corridor-type operations; thus, they attract the support of more members of Congress. My calculations show that the Montrealer, for example, on its trip from Washington to Montreal, services at least 46 nearby congressional (House) districts and passes through 9 states, picking up the support of 18 senators.

As a result of the politicization of the route structure, Amtrak has ended up with a system far too large for it to handle effectively with the available equipment. Marginal routes were added to ensure the support of key politicians.

Senate Majority Leader Mike Mansfield saw to it that scarcely populated Montana was provided with service. The "Harley Staggers Special" was the unofficial name for a train running through the House Commerce Committee chairman's home district in West Virginia. Indianapolis became a major Amtrak stop largely because it was the home state of Staggers's counterpart in the Senate, Vance Hartke.

Though the legislation that created Amtrak empowered the corporation to discontinue unsuccessful routes, Congress twice postponed exercise of this authority and in fact required Amtrak to add new routes, such as the Montrealer in 1972. Even Amtrak became protective about its route structure. In 1975, when the Ford administration attempted a route-mileage cutback, a politically savvy Amtrak retaliated by threatening to cut off 19 trains, far more than proposed, including many through key congressional districts. The administration quickly backed down.

Plans for a stock issue were quickly scrapped when it became apparent that Amtrak would be in no shape to grant dividends.

In 1979 the Carter administration, this time with the backing of an overhauled Amtrak management with former Secretary of Transportation Alan Boyd as president, proposed to cut back Amtrak's route mileage by 43 percent. The "energy crisis," however, intervened just in the nick of time. Travelers without gasoline took to the trains as never before—I remember standing in the aisle of an Amtrak train all the way from Boston to New York—and Amtrak was saved. Route mileage was reduced a mere 15 percent; and although Congress set certain performance goals and discontinuance criteria, Amtrak appropriations continued to grow. NARP and other rail advocates rightly claimed victory. Only a few, like Reps. Samuel Devine (R-Oh.) and James Collins (R-Tex.), had the courage to speak the truth about Amtrak:

While Amtrak has been a noble experiment—born as a desperate attempt to keep passenger service from dragging all the nation's railroads into bankruptcy—eight years of effort have failed to demonstrate a real need for the service. We cannot afford to keep Amtrak going simply because it permits Congressmen to have a toy railroad and labor unions to have institutionalized featherbedding.

Not surprisingly, the politicization of Amtrak has taken its toll on performance. Between 1972 and 1980, ridership went up by 28 percent, passenger miles by 53 percent, and operating revenue by 174 percent. During the same period, however, operating *expense* rose by 266 percent and the operating deficit by 357 percent. In 1972, Amtrak's revenues amounted to but 50 percent of costs. Far from improving, however, by 1980 that figure had fallen to 37 percent. (See table, p. 25.) Even in Amtrak's relatively heavily traveled Northeast Corridor—Washington, D.C., to Boston—which accounts for half of all Amtrak passengers, the ratio is only about 50 percent.

In 1979, in exchange for agreeing to cut the system's route mileage by only 15 percent, Congress set revenue-to-cost ratio goals for Amtrak: 44 percent by 1982 and 50 percent by 1985. In his economic program made public in February, President Reagan proposed a new timetable: Amtrak passengers should pay 50 percent of the cost of their trips *by 1982*, not 1985; and that figure should be increased each year so that, by 1985, taxpayers would be picking up the tab for only 20 percent rather than 50 or 60 percent of Amtrak passengers' trips. The total savings? $3.5 billion, by Reagan's calculations.

Amtrak, however, to judge by history, has more friends on Capitol Hill than does the taxpayer, which goes a long way toward explaining its poor input/output ratio. Members of Congress who vote for Amtrak obviously do not judge its success by bottom-line loss figures. Instead, their eyes are on popularity, and they seize upon ridership figures as a popularity surrogate.

Amtrak caters to this political view of things in press releases highlighting ridership growth, never mentioning that, as of 1978, *even if every seat on every Amtrak train were full on every run, Amtrak would still lose nearly $100 million per year*, according to a study by Frank Mulvey, economist and Amtrak expert at Northeastern University. That best-case loss figure is probably even larger now. However, when I tried to get a confirmation or denial of this from Amtrak I was stonewalled, despite repeated assurances from an Amtrak official that the requested information would be coming shortly. REASON reporters are apparently not popular among Washington bureaucrats. "Amtrak has had little incentive to be economically efficient," Dr. Mulvey told a congressional committee in 1979, "and considerable impetus to increase service and show ridership growth regardless of cost."

Amtrak

Amtrak loses money providing rail transportation for the middle class.

HOW HAS AMTRAK FARED?

	Ridership (millions)	Pass. Miles (billions)	Operating Revenue (millions)	Operating Expense (millions)	Operating Deficit (millions)	Revenue as % of Operating Expense	Operating Grants (millions)	Guaranteed Loan Authority (millions	Direct Capital Grants (millions)
1972	16.6	3.0	$152.7	$306.2	$153.5	49.9	$179.1	$100.0	—
1973	16.9	3.8	177.3	319.2	141.8	55.6			
1974	18.8	4.2	240.1	437.9	197.9	54.8	140.0	300.0	—
1975	17.4	3.9	246.5	559.8	313.3	44.0	278.0	400.0	—
1976	18.6	4.2	268.0	674.3	406.3	39.8	357.0	—	$114.2
1977	19.2	4.3	311.3	832.9	521.6	37.4	482.6	—	93.1
1978	18.9	4.2	313.0	856.6	543.6	36.5	536.0	—	157.0
1979	21.4	4.9	381.3	966.8	585.5	39.4	600.0	—	159.9
1980	21.2	4.6	418.2	1,119.4*	701.2*	37.4*	650.0	—	191.0

* estimates

SOURCE: Hilton, *Amtrak: The National Railroad Passenger Corporation*, Amtrak's 1979 Annual Report, and verbal communication from Amtrak.

Indeed, even abstract popularity is enough to convince politicians to support Amtrak. For example, when the Carter administration threatened the Montrealer with extinction in 1979, Rep. James Jeffords (R-Vt.) circulated a petition to save the train and trumpeted his success in gathering 20,000 signatures. It is quite unlikely, of course, that 20,000 Vermonters have boarded the Montrealer since it commenced operating in 1972.

Similarly, Louis Harris surveys showing that a majority of Americans favor subsidies to Amtrak are frequently quoted in Congress, as if they are meaningful in discussing the merits of additional appropriations for a corporation established as "for profit." (Incidentally, in 1978 Congress faced reality and changed Amtrak's description from "for profit" to "managed and operated as a for profit corporation," thus giving Amtrak rebirth as a licensed loser of the public's money.) What the polls and petitions belie is that *Amtrak accounts for less than one-third of one percent of all intercity travel in the United States each year*, according to the Department of Transportation. What accounts for Amtrak's appeal to Americans then? It is a form of "kinetic art," says a former railroad executive.

Ignorance about the *extent* of Amtrak's subsidy must play a part too, though. I did a survey of Montrealer passengers, asking what percentage of the cost of their travel the passengers thought the government picked up. Of the 100 respondents, only 12 placed the subsidy between 40 and 60 percent; 86 guessed that it is less than 40 percent; and 58 supposed that it is lower than 20 percent. Several were appalled when I told them that the subsidy actually comes to 60 percent.

What this means for a trip from Washington, D.C., to Montreal is that the Amtrak passenger, paying a $58 fare, has $87 of the cost of his travel paid for out of taxes. If the same passenger paid the same $58 to board a Delta Airlines Washington-Montreal flight, the government would have to pay Delta only $35 to cover the remainder of the passenger's economy fare. The passenger would arrive at Montreal in only two and a half hours, as opposed to the 17 hours required by the train, and the government would save $52 of the taxpayers' money! With the money left over the government could, if it chose, give another passenger to Montreal exactly the same deal and still have $17 at the end.

Amtrak, to judge, by history, has more friends on Capitol Hill than does the taxpayer.

The comparative payoff from the government's capital grants to Amtrak show the same disparity. Since 1974 Amtrak's capital outlays for new cars and equipment have increased sharply. Though the benefits are tangible—a new, efficient computerized reservation system and many new, more reliable cars and locomotives—the costs are huge. One bilevel domed Superliner coach, for example, currently being used in Western service, costs a million dollars and seats up to 78 passengers, according to figures given to me by Amtrak. To compare, the same million dollars could purchase nine Greyhound-style bus coaches with a combined seating capacity of nearly 400. Despite all this, in 1979 Congress authorized a further $701 million in capital for Amtrak over the next three years.

Can Amtrak's subsidy be justified? Not on the grounds put forward by its advocates.

"Amtrak's subsidy is miniscule in comparison to government subsidies of competing travel modes. It's time government stopped fostering the American love affair with the automobile."

It is true that government moneys going to highway and air travel are far larger than the subsidy given to Amtrak. Federal aid alone to highway development between 1971 and 1977 was more than $41 billion. The comparable figure for federal aid to air travel was nearly $14 billion. Add on local and state assistance, and the amount of government aid to Amtrak's competitors more than doubles.

Much of the government "aid" to highway and air transport, however, comes from trust funds financed by user fees. Trust funds account for 85 percent of federal aid to commercial air transport; the figure is probably much smaller at the state and local level. The Congressional Budget Office estimates that 50-60 percent of all aid to highway travel at all levels of government comes from trust funds; others say the proportion is higher. Of the federal government's aid to highways, at least 80-90 percent is provided by the Highway Trust Fund.

The return per unit of actual subsidy is far higher for air and highway travel than

Amtrak

Why should South Dakotans without Amtrak service be subsidizing these people's New England ski vacations?

for rail travel. In 1978, for example, the federal government laid out 12.9 cents in operating grants for each passenger mile delivered by Amtrak. In comparison, net of trust fund monies the bus industry required only 0.03 cents and commercial airlines only 0.09 cents to perform the same task. A CBO analyst estimates the subsidy per passenger mile to car users at a scant one-third of a cent for all levels of government combined. Other estimates suggest the figure may be slightly higher, but in no case, the experts agree, is the figure anywhere near Amtrak's. The conslusion is clear: subsidizing Amtrak is by far the least efficient means of aiding American travelers.

"Amtrak saves energy, and in a crisis it can be used to transport people who would otherwise be stranded."

Amtrak itself revels in this faddish argument. When I called to make a reservation aboard the Montrealer I was greeted by a propagandizing recorded voice thanking me for calling "Amtrak, the energy-efficient transportation."

So how much energy does Amtrak really save, and at what cost? In 1976 it delivered 44.4 passenger miles per gallon of fuel consumed. The plane delivered less, 26.7; the car nearly the same, 44.0; the bus *far more*, 129.1. A 1979 CBO study concluded that Amtrak saves some energy in the Northeast Corridor but loses even more in its other services. Mulvey's thorough 1978 study of Amtrak's performance estimated Amtrak's annual energy savings at $40 million, far below Amtrak's cost. The Federal Railroad Administration predicts that by 1990 the Northeast Corridor Improvement Project, a program to ugrade and modernize the Washington-Boston route to allow for high-speed service, will yield an annual saving of 171,000 barrels of oil—but that represents only 0.0027 percent of all the oil consumed in the United States each year.

Several travelers on the Montrealer were appalled when I told them that the subsidy of their travel actually comes to 60 percent.

Many variables enter into any calculation of Amtrak's energy impact—passenger load, what alternative mode of transport passengers would choose, circuity (how far one diverges from the shortest straight-line route; this factor is particularly important in many of Amtrak's long-distance runs, which twist and turn all over in order to hit major population centers), and access energy (the amount of energy required to get to a travel terminal before embarking on one's trip). So a firm resolution of the energy-saving debate is nearly impossible.

What is clear, however, is that investment in Amtrak is a costly way of saving energy. For example, while General Motors is well on its way to developing an electric car slated to appear in showrooms in the mid-'80s, the electrification component of the Northeast Corridor Improvement Project may or may not be ready by the time GM's electric car is ready and will probably cost taxpayers between $3 and $5 billion by the time it is completed. For another example, NARP estimates that Amtrak's current energy efficiency can be improved by 185 percent but neglects to calculate the costs involved—for upgrading almost all track over which Amtrak runs and for replacing almost all of Amtrak's current equipment. The cost, several billion at the very least, would be staggering. Compare Department of Transportation estimates in 1979 that a slight improvement—0.01 miles per gallon—in the fuel economy of the US highway fleet would save in one year the equivalent of all the petroleum that Amtrak uses in a year.

The argument that Amtrak is necessary in case of an energy emergency can hardly be serious. As I noted before, Amtrak accounts for less than one-third of one percent of all US intercity transportation; even if, in a short-term crisis, Amtrak carried passengers in the aisles and in baggage cars, it still could absorb no more than one percent of intercity travel. And in any long-term energy crisis it would make far more sense to resort to greater use of the bus, which scores nearly three times as high as Amtrak (or the car) in the energy-efficiency game.

"Amtrak saves lives."

Amtrak's safety advantage is uncontested. Fatalities per 10 billion passenger miles are 140 by car, 6 by plane, 3 by bus, yet only 1 by Amtrak. Mulvey calculates, roughly, that Amtrak saves 33 lives annually. Whether this benefit is worth the $900 million it costs is a matter of personal opinion. I suspect that, supposing that government should be in the life-saving business in the first place, $900 million spent in other ways—perhaps disease research?—could save far more than 33 lives.

"Amtrak reduces pollution."

The facts show that Amtrak's environmental impact consists of a tradeoff between carbon oxides emitted at muffler level by cars and sulfuric and nitrous oxides emitted several feet higher by trains. But even the total carbon monoxide reduction attributable to

Amtrak is only 0.05 percent of the total amount produced in the United States per year, and much of the reduction occurs outside urban areas where the carbon monoxide problem is centered.

"Amtrak provides a needed service. Without it, many people would be stranded."

In 1979 Amtrak served 571 stations over 27,000 route miles in the United States. By contrast, the bus industry served 15,000 towns and cities over 280,000 route miles. Of those 15,000 stops, *at least 14,000 were without any other form of public transportation.* Amtrak's stops, on the other hand, include only a handful where some other form of public transportation is not available. When some members of Congress expressed concern in 1979 that an Amtrak cut-back would strand many of their constituents, the bus industry offered to inaugurate service to any cities and towns that would be left without public transportation. The challenge went unheeded.

Amtrak's existence may even cause more towns to be without common carrier transportation than Amtrak itself services. When bus lines are forced to cut marginal routes because of competition from Amtrak, intermediate towns on major routes lose service. The president of Vermont Transit Bus Lines, for one, told me that competition from the Montrealer forced his company to eliminate a route between New York City and Newport, Vermont. Intermediate stops not served by Amtrak were thus left with reduced service.

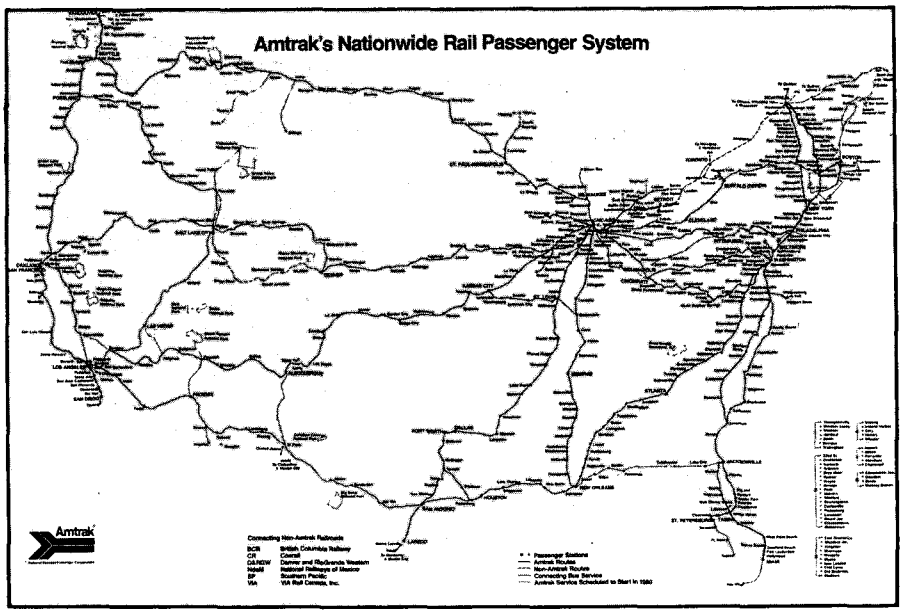
Ironically, in our energy-conscious times, the bus industry is probably the competing private mode of travel most hurt by Amtrak. Amtrak's fares have increased at a rate only two-thirds that of inflation. The result is a narrowing gap between bus and train fares. Between 1972 and 1978 Amtrak's one-way fares fell from 25.9 percent to only 1.1 percent above one-way bus fares, and its excursion fares often undercut those offered by its bus competition. Greyhound estimates that Amtrak's existence costs the bus industry at least $50 million a year in lost revenues. Early last year Greyhound went to the ICC charging Amtrak with predatory pricing. The ICC, however, is not empowered to enforce rate decisions against Amtrak, as it is against other common carriers. The bus industry—a declining, marginally profitable, but very efficient private business—will continue to suffer from Amtrak's subsidized competition. Many rational consumers will continue to ride the train because it is more comfortable than the bus, without being significantly, if at all, more expensive—except to the taxpayers.

Despite Amtrak's dismal record of mounting subsidies and inconsequential benefits, the politicians continue to vote for it. Perhaps because of the wide consensus in Congress that Amtrak is a good thing, debate on the subject is impoverished. When the northern portion of the Montrealer, one of Amtrak's highest-cost trains, appeared on the Department of Transportation's "hit list" in 1979, Sen. Patrick Leahy (D-Vt.) accused DOT of attempting "one of the biggest political fast shuffles I have witnessed in years." Later he declared that he could "no longer afford the luxury of appealing to DOT on the basis of evidence, logic, and justice." His Republican counterpart from Vermont, Robert Stafford, joined in with the claim that DOT's plan was "a kick in the teeth to New Englanders and Vermonters in general." Rep. Jeffords's fury approached the poetic: "The Nation's railway system is being forced into a Procrustean bed where its body and limbs will be truncated to satisfy...the faceless bureaucrats with green eye shades."

Even if every seat on every train were full on every run, Amtrak would still lose at least $100 million a year.

Politicians use statistics, the story goes, the way drunkards use light poles—not for illumination. The Montrealer debate was a classic of statistical demagoguery. Members of Vermont's congressional delegation claimed that the portion of the Montrealer's route north of Springfield, Massachusetts—the portion DOT proposed to eliminate—actually made a profit! I examined the figures they used to reach that conclusion, however, and found that they must have attributed passenger miles traveled south of Springfield, and the revenue therefrom, to the contested route *north* of Springfield. According to their figures, the average distance traveled per passenger north of Springfield was about one-third greater than the total distance from Springfield to Montreal! Another time, Jeffords claimed that the Montrealer is twice as efficient as the car, citing a study by the Vermont Energy Office. The Vermont Energy Office, however, told me that it has no record of any such study.

To most politicians, Amtrak is just another pork barrel. Rep. Silvio Conte (R-Mass.), contesting DOT's methodology in choosing to eliminate the Montrealer, demonstrated that Vermont pols have no monopoly on protecting their own turf. Confronted with evidence that



the Montrealer, unlike other routes, could not expect great boosts in ridership because Amtrak's best equipment is already in use on this route, Conte, ranking minority member of the Senate Foreign Relations Committee responded: "If they can cut my Montrealer out, I can cut a few little trains out of that Foreign Aid bill." Jeffords, confident of victory, explained to a Vermont paper that "no one is going to get excited about five million bucks." And a Leahy aide said it all: "If Leahy can't pass $5 million of pork barrel for his own state he's not worth his salt."

Passenger rail service in the United States suffers from three basic problems. First, population density in America is, with few exceptions, trivial compared with that in Europe and Japan, where trains are more popular and successful (though still subsidized). In France the population density is 260 persons per square mile; in Japan, 780; in the United States, only 63. Even heavily populated California has only 140 persons per square mile.

Population density affects train travel in two ways. Most obviously, any American train is competing for a much smaller population market per unit of distance covered than is true in Japan or Europe. Additionally, the abundance of land in America makes highway development—a relatively land-intensive means of travel—relatively cheaper. The American highway system is the best and most thorough in the world. Congestion and delay are hardly problems, except at peak hours near large urban centers. That is one reason—scarcity of parking spaces is another—why, during those hours, proportionately more people take to commuter trains. Heavy population density in the Northeast also explains why Amtrak's Northeast Corridor service is its most heavily traveled.

Second, passenger rail is a relatively capital-intensive means of travel. This, by itself, would cause no problems, except that trains also have low capital-utilization rates. A single Amfleet car, Amtrak's modern coach car, weighs 157,000 pounds and costs a million dollars. Yet it can seat only 84 passengers and usually makes only one trip in any direction per day. On long-distance trains, Amtrak adds dining cars and lounge cars, with a zero increase in seating capacity.

George Hilton, a UCLA economist, compared the productivity of the train and the plane and found that "a single stretched DC-8 of 250-passenger seating capacity assigned to a long-distance route, such as Atlanta-Los Angeles, could turn in more passenger miles per year than the entire Atlantic Coast Line Railroad, the dominant railroad in East Coast-Florida operations." GAO economist Herb McClure explained to me that passenger rail could never break even unless humans were stuffed into low-cost cattle cars as tightly as cattle themselves are packed in. This "packing in" approach is, in essence, the way subways and commuter trains operate.

Finally, passenger rail is the most labor-intensive means of travel. In 1978, 65 percent of Amtrak's costs were for labor, largely because, when Amtrak was created, Congress agreed to a union demand that Amtrak adopt the work rules in force prior to its existence. So it must abide by the rules of its contracting railroads, most of which have been in effect since the days of the steam locomotive.

It is Congress that has forced Amtrak to add expensive new routes to its basic system.

The most famous of these work rules is the 100-mile rule: "One hundred miles or less (straight-away or turn-around)... shall constitute a day's work; miles in excess of one-hundred will be paid for at the mileage rate provided." Though modified by some agreements, this rule still governs the work days and pay of most engine crews. Its effect is to guarantee a crew member who works any time at all a full day's pay. The Montrealer, for example, is run by a Conrail crew between Washington and New York City, a 270-minute trip. For their evening's work, Amtrak gives that crew two days' pay. Why? Because that's what the Pennsylvania Railroad agreed years ago to pay their crews for the Washington-NYC run. The Penn Central inherited those rules, and they were later passed on to Conrail, which has been unable to change them. Between New York and Montreal, five more crews take their turns in the engine car. For work lasting from 105 minutes to 200 minutes, each member of each of these crews is paid a day's wages.

Work rules also cover the size of the crews—for the Montrealer, a five-man operating crew of conductor, engineer, brakeman, flagman, and fireman. A bus, on the other hand, requires only one driver; a jet plane, only a pilot, copilot, and flight engineer. And the intensity of use of rail labor is also less than for the competing modes. From New York City to Montreal, the Montrealer requires approximately 60 man-hours of labor (although Amtrak pays for much more than that because of the 100-mile rule). A similar trip on Vermont Transit Bus Lines requires only 12 man-hours; and Eastern Airlines can make the trip with only 3.5 man-hours.

Both Amtrak and the airlines also have service attendants. Eastern Airlines employs four attendants for an average passenger load of 129 on a one-hour flight. The Montrealer, however, requires a minimum of six service attendants on a 17-hour trip for an average passenger load of 170. The result, of course, is far higher labor costs per passenger for the train than for the bus or plane.

It would be unfair to Amtrak to suggest that it can do nothing right. Within the constraints imposed upon it by Congress, it has succeeded in improving the service it provides. Most of the cars it operates now are new or refurbished, its reservation system is excellent, and most passengers seem pleased with the on-board service. Furthermore, the bulk of Amtrak's increased costs are either necessary—maintenance costs account for nearly one-third of its total operating budget—or required by Congress.

And it is Congress, of course, that has forced Amtrak ever since its inception to add expensive new routes to its basic system.

The politicians love to think they know trains. They grew up with them, and they itch to tinker. Even more, they love to play Santa Claus to their constituents. Unfortunately, however, they don't pay the bills, and with an annual price tag approaching a billion dollars a year, Amtrak is a toy that the taxpayers can ill-afford to unwrap and enjoy. ◻

Jeffrey Shedd is a law student at Boston University.

Dog Days for the Small Entrepreneur

BY PETER SAMUEL

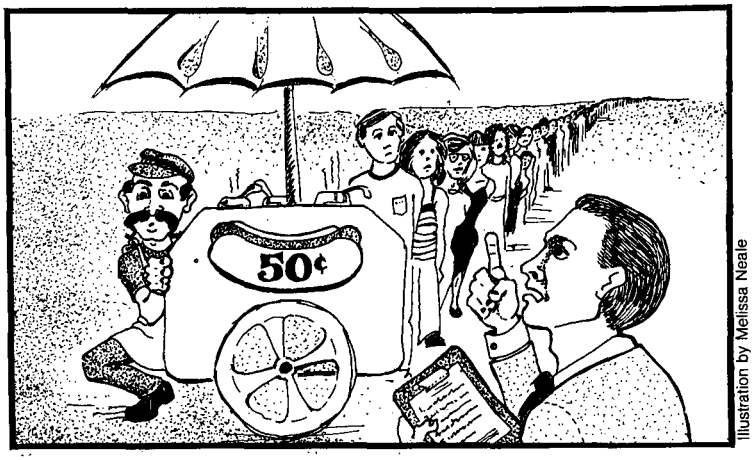


Illustration by Melissa Neale

ONE OF THE DELIGHTS OF Manhattan is what you can buy on the sidewalks. As a midtown office worker these days, I regularly take half an hour off in the middle of the day and buy a snack lunch from a street vendor. Usually this is very quick, the vendors managing to dole out a steak sandwich, a shish kebab, or sausage garnished with onion sauce or sauerkraut and to juggle the bread roll, the paper napkin, dollar bills, and change in perhaps 20 seconds flat. Rarely do more than two or three customers form a line.

But last week near the corner of Vanderbilt and 46th Streets I found myself part of a line of some 15 customers at a hotdog cart. Bureaucracy had struck!

There, armed with clipboard, speaking in a harsh demanding tone of voice, was Mr. Inspector of New York City. "I want your license," he barked. Mr. Hotdog Vendor fumbled in his wallet and, among the paper paraphernalia that we all carry there, he eventually produced the wanted document. Slowly Mr. Inspector copied out Name, Address, Place of Authorized Vending, Social Security Number, and whatnot.

Mr. Hotdog Vendor tried to serve a customer but was constantly distracted from that by Mr. Inspector's demands for verbal answers to all these questions, as if to check that the rascal was not merely a frontman for the licensee. No chances was our Mr. Inspector going to take of being fooled about the identity of the culprit!

Five minutes having passed, during which only two customers were served, and the line having grown to some 20 persons, our Mr. Inspector came to the point. "I am charging you with a violation. You are not allowed to have the box there. The penalty for a first offense is $100. If you repeat the offense, you may lose your license."

Mr. Hotdog Vendor, I should have explained, was a recent immigrant—Greek, I would say, by his accent—and his command of English was poor. But downcast and overawed, he mumbled: "What wrong? What wrong with box?"

The "box" in question was one of those foam-insulated iceboxes, and Mr. Hotdog Vendor had it by his feet to supply thirsty customers with a can of soda if they wanted that in addition to their hotdog. "You only have a license for the cart. You are not allowed to have any other objects."

Mr. Hotdog Vendor did not understand the jargon. "What object? I no understand you talk about object not allowed." And tediously Mr. Inspector talked about obstructions to the sidewalk and licenses only permitting the cart and how all "materials" must be "contained within the cart." All the time, he was arrogantly oblivious to the growing line of would-be lunchers of hotdogs and drinkers of soda from that offending icebox. One or two people in the line moaned a little in protest; a couple of others simply gave up in exasperation and broke from the line to find their lunch elsewhere.

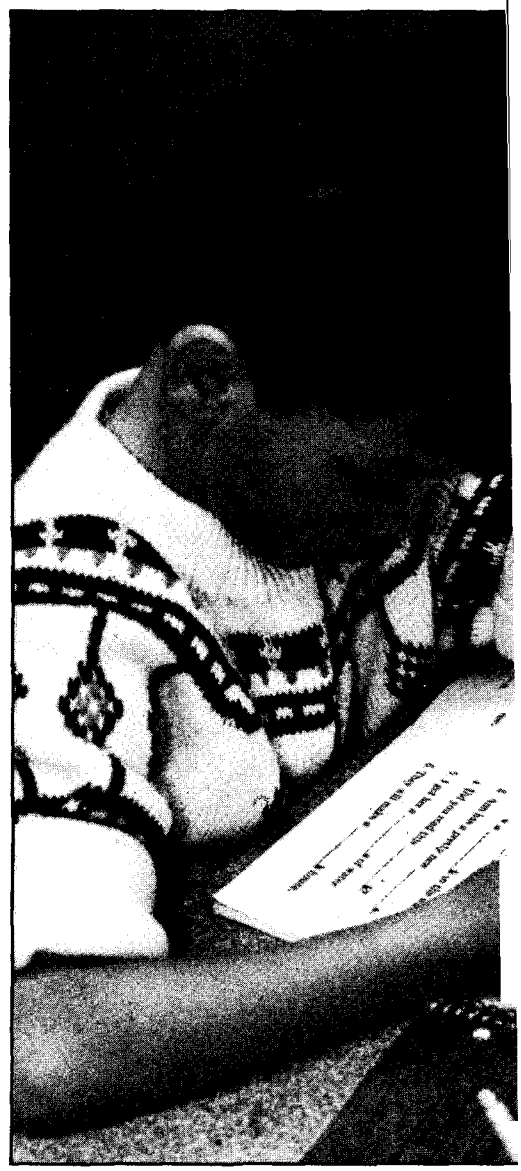
Suddenly, I lost my temper. I shouted: "Rubbish! You talk rubbish." Mr. Inspector swung around at me in amazement, for the first time aware of some third parties to his encounter. "Mind your own business," he told me.

"It *is* my bloody business. You've wasted 10 minutes of my time over some stupid fiddling complaint over the icebox." I knew I had to continue the offensive, so I let my pent-up emotions drive an indignant speech replete with many Australianisms and obscenities, probably only partly intelligible to this small Manhattan crowd. I called him a "leech" and a "parasite" bleeding an honest working man trying to make a living selling people their lunch. I told him he was "as disgusting as the Mafia" standing over a working man and "stealing his earnings." At some point I called him a "miserable wombat," his rotund figure reminding me of that ugly nocturnal root-eating animal.

(Continued on p. 41.)

How Good Ar
for Public

By Scot



Young children—young *ghetto* children—reading and discussing Shakespeare and Thoreau? That's what viewers of *60 Minutes* saw, and responded to with an outpouring of praise and wonderment, last year when the TV cameras paid a visit to Chicago's Westside Preparatory School and one Marva Collins, founder and sole teacher of the school. The sight of this woman eagerly, enthusiastically, and firmly demanding participation from her pupils was almost disproportionately moving.

While it should have been no surprise, Collins's proof that most children indeed do want to learn stands in sharp contrast to the blasé, hopeless attitude that prevails in public education today, evident both in the teachers and the students. In fact, textbooks for public school use today are written for levels *two years* below the grade in which they will be used, and, despite the fact that Scholastic Aptitude Test scores have declined and that the number of students scoring in upper brackets has fallen by 40 percent, grade point averages in public schools have gone *up* from 2.59 to 2.85 in the last decade.

Almost no one is willing to deny that something is very wrong with American government education. Nor is the problem confined to hard figures. "Creationists" and "evolutionists" are squaring off in many communities. Liberal parents bemoan the schools' probusiness bias; conservatives complain about leftist indoctrination. Some parents want their children to receive sex education or to attend integrated schools; others do not. Some parents are scared witless by the possibility that their children might have a homosexual teacher; others are unconcerned.

Obviously, since these desires and preferences are in conflict, everybody cannot be satisfied—not in a tax-supported, government-controlled educational system. Since everyone pays the bills, via taxes, government must attempt to provide a universally palatable system. The product satisfies some parents some of the time and no parents all of the time—a typical democratic result.

But why is education subjected to democratic decision making in the first place? Why *is* it tax-supported and government-controlled? There must be *some* reasons why people who are dissatisfied with the product still cling to the system itself. Of course there *are* some reasons. In favor of tax support, the ideas of market failure and external benefits are invoked; and in favor of government control, parental irresponsibility and social survival. Given the serious problems with education today, we ought to take a good look at these reasons for believing that government should be in the business of providing schooling.

RIGHT REASONING

When a vitally needed good cannot be supplied through the operation of the free market, economists say that there is "market failure." If this occurs, then it is usually held that government must step in to supply the needed good. National defense is frequently cited as one such good, and advocates of tax-supported schooling maintain that education is the same sort of thing.

In outline, the argument goes like this:

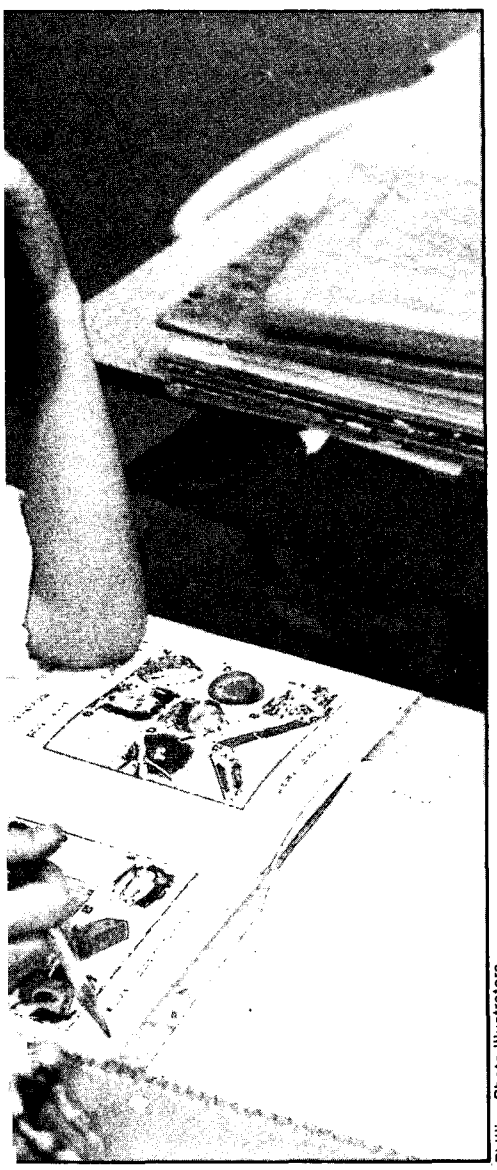
1. Everyone has a right to an education.
2. Private enterprise, through the operation of the free market, cannot provide everyone with an education.
3. But everyone *must* be provided with an education, since it is theirs by right (1).
4. Therefore, education must be provided by the government at taxpayer expense.

Take a close look at this argument, however, and you'll notice that both of the first two premises are ambiguous: interpreted one way they are false but support the conclusion; interpreted another way they are true but do *not* support the conclusion. The argument seems persuasive only if these premises are accepted as true with one meaning and then unconsciously *used* with an entirely different meaning.

The ambiguity in the first premise—that everyone has a *right* to an education—revolves around the fact that there are different kinds of rights: *natural*, or human, rights and *contractual* rights. We possess natural rights simply in virtue of our nature as human beings, without us or anyone else having to do anything to obtain them. Basically, we have a natural right to do whatever we wish as long as we refrain from committing acts of force

...e Arguments ...ucation?

Palmer



Phillips Photo Illustrators

or fraud against others.

But this right is simply a moral claim on freedom of action. It means that if I want to go out and buy a loaf of bread my neighbor cannot legitimately use force to stop me from doing it. It does *not* mean that he must buy it for me or that the baker must sell me a loaf of bread whether or not he wishes to do so.

A contractual right, on the other hand, may very well require that someone else do something for me. Such a right, however, is not mine by nature but depends on another person's having explicitly or implicitly promised to do something for me.

Suppose that I make an agreement with my neighbor that I will fix his car in exchange for a loaf of bread. If I then fix his car, I have, in virtue of our agreement, a *contractual* right to get a loaf of bread at his expense. But in the absence of such an agreement, my natural rights entitle me only to get bread at my *own* expense, not at anybody else's.

Armed with these distinctions, let's go back and take another look at the first premise. "Everyone has a right to an education" is true *if* we include the proviso, "*at his own expense* or, in the case of a child, *at the expense of his parents.*" Why do we need this proviso? First, everyone has a natural right to seek an education at his own expense, since this does not involve employing force or fraud against anyone. Second, a child has a contractual right to be educated at the expense of his parents, since by bringing him into the world they have voluntarily undertaken the duty of caring for him until he is old enough to care for himself. This duty includes providing him with a decent education so that he can make a good life for himself later on.

The cleaned-up version of the premise—everyone has a right to an education at his own expense or, in the case of a child, at the expense of his parents—does not support the conclusion that anyone's education should be financed by a levy on the long-suffering taxpayers. The only way to support that conclusion is to interpret the "right to an education" as a contractual right against everyone in the country. Interpreted in this way, however, the first premise is plainly false. Therefore, insofar as the premise is true, it does not support the conclusion that education should be tax-supported; and insofar as it supports the conclusion that education should be tax-supported, it is not true.

UNMARKETABLE?

The second premise—that private enterprise cannot provide everyone with an education—faces similar problems. It *is* true that private enterprise cannot (*a*) provide people with an education which they do not want, (*b*) provide people with an education financed out of the pockets of unwilling contributors, since private enterprise does not have the power of taxation, or (*c*) compel everyone to purchase the type of education that a few people (or even the majority) think they ought to have. But this is a far cry from not being able to provide people with an education! Private enterprise can certainly provide whatever type of education people are willing to pay for; and this, surely, is the relevant consideration.

The thing that might keep us from turning to a system in which people get the education they pay for is our concern for the poor. Wouldn't they be left out in the cold by a private system, unable to afford any education? Since it is typically in tax-supported areas like education that the poor fare the worst, it is hard to imagine that they would not be better off under a private system. As David Friedman wryly points out in his book *The Machinery of Freedom*, there are more good cars in the ghetto than good schools. But the most pointed response to this objection was made in the June 1963 issue of the *Objectivist Newsletter* by Nathaniel Branden:

> *If, for many years, the government had undertaken to provide all the citizens with shoes, . . . and if someone were subsequently to propose that this field should be turned over to private enterprise, he would doubtless be told indignantly: "What! Do you want everyone except the rich to walk around barefoot?" But the shoe industry is doing its job with immeasurably greater competence than public education is doing* its *job.*

So the first argument for government-provided education is seriously flawed. The claim that everyone has a right to taxpayer-supported education rests on mixing up two meanings of the term *right*, and the belief that the market

could not provide education underestimates the capacities of the market and of individuals, rich or poor, to make sound choices.

WHO SHOULD PAY?

There is another argument for government education, though, based on the idea of "external benefits." If when I perform a certain action I inadvertently benefit someone else, then that person is said to have received a benefit external to my action. For instance, suppose that one night I shoot a burglar in my living room. Word gets around and soon all the burglars in town are convinced that people on my street are too dangerous to steal from. All of my neighbors have "accidentally" benefited from my action. The question then is, Do they have to pay for my bullets? When it comes to education, the common belief is that people do have to (ought to) pay for receiving its external benefits.

The argument proceeds this way:

1. Every member of society benefits from the education of children.
2. If a person benefits from something, he should be forced to help pay for it.
3. There is no free-market mechanism for making sure that everyone who benefits from children's education pays his "fair share."
4. Therefore, education must be tax-supported, since otherwise some people would get a benefit without paying for it.

The first premise of this argument may be somewhat exaggerated, but its thrust is no doubt well-taken. It's with the second premise that the problems begin.

Consider: when I shot that burglar in my living room, there was probably a *slight* benefit to everyone in the country in terms of a reduced crime rate. Should *all* be forced therefore to make a contribution to my bank account? Of course not. But this just shows that the premise is absurd. In *Man, Economy, and State*, Murray Rothbard observes with characteristic penetration:

> *The difficulty with [the external benefits argument] is that it proves far too much. For which one of us would earn anything like our present real income were it not for the external benefits that we derive from the actions of others? Specifically, the great modern accumulation of capital goods is an inheritance from the net savings of our ancestors. Without these, we would, regardless of the quality of our moral character, be living in a primitive jungle. . . . And who then is to receive the loot? Our dead ancestors, who were our benefactors in investing the capital?*

There is another peculiar result of the external benefits argument: anyone who is really worried about someone getting a benefit without paying for it should support a *private* school system, not a tax-supported one! It is only under a tax-supported system that single people and childless couples, for example, are forced to shoulder some of the cost of educating *other people's* children. Under a private system, the people who wanted to purchase education, for themselves or for someone else, would be required to pay for it. The external-benefits argument not only fails to prove that schools should be tax-supported; it proves the opposite!

It is true that private enterprise cannot provide people with an education financed out of the pockets of unwilling contributors.

At this point a defender of government education might respond: "Well, perhaps schools shouldn't be paid for out of tax money after all. But still, their curriculum and teaching methods ought to be controlled by the government, and attendance should be compulsory up to a certain age." This response does contain a grain of common-sense truth, but the arguments behind it are again misguided.

CONTROLLING CONCERNS

The common-sense truth is this: To bring a child into the world is to assume certain very important responsibilities—to feed, clothe, and otherwise care for the child until she is old enough to care for herself. Part of this parental responsibility is to prepare the child to look after herself by seeing to it that she receives an adequate education, including at least facility in the three Rs. Without these basic skills, a person has little chance for a decent life in modern society.

There is the possibility, however, that parents will sometimes neglect this responsibility. If government-controlled compulsory schooling could ensure that children are trained in these basic skills, then that would be a point in its favor.

Unfortunately, the government's track record in this area is sorry indeed. The near-illiteracy of large numbers of high school graduates is a public scandal. When one thinks about the matter, however, it is not surprising at all. The government has no pressing motive to see that young people are well educated; and in certain areas, such as economics, it has a pressing motive to see that they remain ignorant.

Given that the government cannot guarantee for the majority the basic education that some parents might neglect to provide, wouldn't it be better to leave control of curriculum and school attendance to parents, who generally do take a personal interest in the welfare of their children? This is not, of course, a perfect answer to the possibility of parental irresponsibility, *but neither is the government-control alternative.* And at least it would allow increasingly desperate parents to have a say in their children's education.

The advocate of government control has, however, one last concern: the survival of society. Simply stated, this argument maintains that unless children are schooled in the cultural heritage of a society—its worldview, prevailing moral and political beliefs, and a cleaned-up version of its history—the society will become so fragmented as to disintegrate into chaos and civil war. Hence, it is argued that government must control the school curriculum to ensure that all children are guided into desirable ways of thinking.

There are two main problems with this argument. First, the way in which it is usually advanced reveals some disturbing totalitarian overtones. "Children are to be guided into desirable ways of thinking." Desired by whom? Why, desired by the government, of course, since the government controls the curriculum. And the temptation facing any government is to demand of its citizens unquestioning obedience and subservience to the State. As Isabel Paterson observed in *The God of the Machine*:

> *Every politically controlled educational system will inculcate the doctrine of state supremacy sooner or later, whether as the divine right of kings, or the "will*

(Continued on p. 41.)

ARE BUSINESSES REALLY OPPOSED TO BIG GOVERNMENT?

By Russell Shannon

Does the business community love *laissez-faire*? The famous answer "It depends" applies all too well. The popular wisdom is that businesses would like nothing better than to be left alone by government and that this prompts their increasingly vociferous denunciations of environmental, energy, safety, and consumer regulations. OSHA and EPA, it would seem, are agents of the devil.

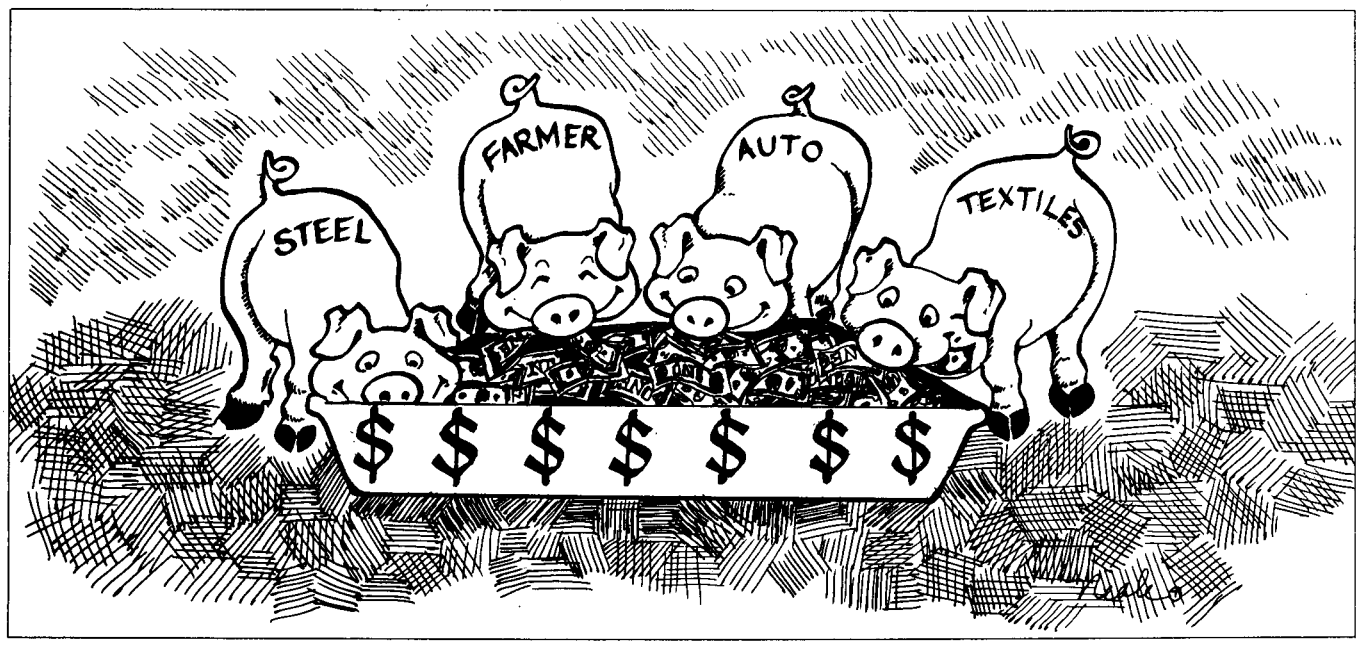
In fact, however, much government interference in the marketplace is inspired by business requests. Producers frequently seek tariffs, subsidies, licensing requirements, and so on to shore up their markets, boost their prices, or enhance their finances. If those who have been verbally stoning Chrysler were asked who is without sin in this regard, few could raise their hands.

The American textile industry offers a clear case of the business community's ambivalence here. When it comes to regulation that will reduce industry profits—such as efforts by the Occupational Safety and Health Administration to impose expensive requirements for reducing cotton dust in the workplace—the textile industry denounces government interference. Industry groups point out, quite accurately, that the proposed rules, by raising the cost of labor relative to the cost of machines, will surely reduce employment opportunities in the industry.

Yet those same groups ignore the side effects of government interference that will *increase* industry profits. The textile industry has in the past frequently sought—and obtained—import quotas to provide relief from the competition of foreign fabrics. Quotas do, of course, cause some domestic employment opportunities to expand—but they also mean higher prices and fewer choices for consumers.

Although it would be difficult to argue that import quotas are ever a boon to the consumers of the controlled products, in other cases it is easier to make that claim. In fact, however, much legislation that has come to be seen as protective of consumers actually was introduced to benefit producers. A good example of this is meat inspection.

Writing in the September 1978 issue of



Melissa Neale

the *Journal of Economic History,* Charles W. McCurdy points out that states such as Minnesota passed meat inspection laws almost a century ago. Consumers were the touted beneficiaries of these laws, but in 1890 the Supreme Court struck them down. As counsel for the defense argued, fresh meat had *not* been inspected prior to passage of the Minnesota law, "and yet population has increased and the death rate has been low."

The inspection laws actually sought to protect local butchers from the competition of meat "imported" across state lines. Nor was this Argentine or Australian beef. Swift and Armour had outfitted refrigerated railroad cars and were shipping dressed meat from Chicago at savings running up to 35 percent. What a marvel these economies were for consumers! And no wonder the local butchers were distraught!

McCurdy argues that it was the growth of national producers such as Swift, Armour, Singer, and others that helped develop the doctrine of a truly free internal market. But small (and small-minded) local producers doggedly opposed this by advocating restrictive legislation.

In a market economy, of course, competition is the rule. Yet profits may be greater if producers can achieve some control over the market. Sometimes they establish such control, at least for a time, without recourse to government. This is what some of the railroads did in the late 1880s, combining into an effective cartel to set rates and share markets.

Although passage of the Sherman Antitrust Act in 1890 undermined the ability of the railroad cartel to function, Congress had, coincidentally, already set up the Interstate Commerce Commission to regulate the railroads. Presumably, ICC regulation was intended to benefit the general public, especially farmers who suffered from monopolistic rate making. But following a series of new laws, especially the Transportation Act of 1920, the ICC obtained broad new powers, including the ability to set *minimum* rates, to allow pooling activities among the railroads, and even to limit entry into and exit from the industry. In short, the ICC served to keep in place a cartel that, without government support, would no doubt have been plagued by the disintegration that cartels normally suffer at the hands of market forces. Regulation via the ICC was more clearly in the interest of the industry itself than of the public.

Even the rationale for state regulation of electric power companies has now been thrown into question. It was once generally believed that utility commissions were designed to keep rates down and output high in a situation of "natural monopoly"— that is, to promote the public interest. But Gregg A. Jarrell, in the *Journal of Law and Economics* for October 1978, disputes this view.

Jarrell turns up some interesting history. Just after the turn of the century, many municipalities allowed competing firms to supply electricity, instead of designating a single supplier for an area. As a result, power companies' prices— and profits— were low. But then state governments took over from the municipalities the role of regulation, and they often eliminated competition, whereupon (the remaining) power companies' prices and profits rose. The public, it appears, would have been better served without state regulation.

It is worth noting here, of course, that the customers of both power companies and railroads are not just households. Business enterprises need electricity and transportation, also. While one segment of the business community gains from a particular form of regulation, other segments lose. They and their customers must foot the bill that government regulation regularly imposes.

One should *never* be deluded into believing that regulations sought by business and industry are inherently desirable for society as a whole. It doesn't even work out that way, says economist George Stigler, if the benefits to the regulated industry are considered benefits to society, to be weighed alongside the costs to the public of regulation. "When an industry receives a grant of power from the state, the benefit to the industry will fall short of the damage to the rest of the community," notes Stigler. In short, the public costs will outweigh the private benefits.

Although the effects of the visible hand of government regulation may often be unseen and unrecorded, they are there. Consumers *will* end up paying higher prices, workers *will* enjoy fewer job opportunities, or enterprising new producers *will* be prevented from entering the restricted industry.

Nor have we suddenly become aware of this problem only recently. Adam Smith called our attention to it back in 1776. His *Wealth of Nations* is, in fact, essentially an argument against the prevailing philosophy and policies of "mercantilism," a system of extensive government control of the economy in an attempt to increase national wealth. Regulation, Smith noted, is almost sure to be a boon to producers and a bane to the public. Instead of government control, Smith urged reliance on the "invisible hand" of self-interest and competition to facilitate the best use of all the resources available to a society.

Producers stand much to gain under such a system. But this doesn't mean, warned Smith, that their appeals for government regulation of this or that reflect their interest in such a system. His views are expressed succinctly and vividly in a famous passage:

> *People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.*

In the end, what is at stake here is far more than a matter of hypocrisy, of business people trying to eat their cake and have it too. They need to learn the wisdom of leading by example. If, strong and resourceful as they are, producers use political power to further their goals, then how can they object to other groups using such avenues? If producers clamor for protection, how can they expect consumers not to cry out for protection too? If they try to keep the air free from competition so their profits will be healthier, how can they criticize workers and environmentalists who seek to use government powers to clean up the air so their lungs will be healthier? If businessmen continue to seek to use government to gain an advantage in the short run, then—to paraphrase John Maynard Keynes—in the long run, free enterprise will surely be dead! ◧

Russell Shannon teaches economics at Clemson University and coordinates a weekly series of editorial columns on economic issues for newspapers in the Carolinas and Georgia.

501 East Buffalo Ave., #105
Tampa, Florida
April 15, 1981

The President
The White House
Washington, D.C.

Dear President Reagan:

This may not be a very good time to try and talk with you--what with your monumental job of trying to deal with 20 years of deficits and fiscal chaos. But on the other hand, it might be the best of times. It's early in the presidential term, and you're working out strategies for dealing with the last several decades of mismanagement and irrationality in government.

No doubt you have armies of people pulling at you from all different directions right now. An absolute economic crisis, with runaway inflation as well as runaway government spending, must somehow be controlled. And our sadly neglected national defenses must be refurbished after years of getting short shrift from otherwise big-spending politicians. Then there's perhaps the most difficult problem of all: how to get the long, heavy arm of government and its attendant bureaucracies off the backs of the American people.

Probably no one would go out on a limb right now and say that <u>any</u> of these problems can be solved quickly, or even during your entire four-year term. After all, some of them have their genesis as far back as 1932, when even you were enthralled by the vision of a "Santa Claus" government that could be all things to all people, handing out a constant stream of wealth to whoever wanted it and

somehow, in the process, staying out of the way of those in our society who do the *producing* of wealth—the workers, the entrepreneurs, the owners of land and capital.

Of course, the Santa Claus concept of government never has worked. You quickly came to that realization yourself. And so have lots of other people recently. That's partly why you're our president today.

So with all this said, and with hope that you can at least *begin* to move in the direction of the changes that need to be made, I want to add my voice to the pleadings. Because, you see, there's one specific area in the workings of our government and society that, if left to fester and ride upon the backs of the productive citizens of America, can make all your reforms and changes go for naught.

THE PEOPLE ARE SCARED

I'm speaking of a problem that has caused millions of people not only to move outside the law but, perhaps even worse, simply to stop producing. In many cases, they've thrown up their hands, shrugged their shoulders, and decided, "What's the point? What's the worth of it?"

This same problem, as if that wasn't enough, is one cause of people progressively losing confidence in the law. Even more important, they've started to lose confidence in the supreme law of the land itself, the Constitution. It's not because people really have a mind to go that way. It's just that they've been pushed in that direction. Slowly, in the beginning, and maybe not even with full comprehension; more recently, in an accelerated and more clear-headed manner. People, especially the American people, will only take so much. Then they've got to go their own way, even though it may mean turning their backs on a government, a political system, that they once wholeheartedly believed in.

What I'm talking about here is the so-called subterranean economy. Involving millions of people, it is the social and economic phenomenon of an unreported, unregulated, untaxed economy existing coextensively with America's "official" economy. It is variously estimated to involve anywhere from $100 billion to $700 billion, and the latest studies show it to have expanded in recent years at a rate nearly *three times* that of the official gross national product. The most recent studies, incidentally, show this alternative economy to involve $700 billion, or about *27 percent* of the GNP. That is, very simply put, astounding.

Now, you may be thinking that it's taken some pushing, some damnably big problem, to make this happen. And I'd have to agree with you—millions of decent, hardworking Americans who've been pushed up to and beyond their limit would have to agree with you too. Because the face of the problem, which is a very specific bureaucracy, has more power over people, amassed more information against them, and abused the Constitution and laws of this country probably more than any other single institution *ever* unleashed against America's people. In a way, it wouldn't be so bad were we to have an outright Gestapo formed in our midst. If an actual terrorist arm of the government were turned loose against the people . . . well, most likely the people could deal with the problem quickly and summarily. But what we have today, what is oppressing the people of this country, is *harder* to deal with.

The problem, I think, as with many such situations, is that this bureaucracy was probably formed with good intentions originally (although you're probably the first president in decades to understand clearly that the road to hell is paved with "good intentions"). And, as will happen with organizations that get out of hand, this one started small. In fact, it was originally so small that only a fraction of the people of this country were inconvenienced or most likely even *aware* of it.

People, especially the American people, will only take so much; then they've got to go their own way.

Today, however, this organization can legitimately be called the most powerful and fearsome institution internal to the American Republic. It touches virtually every human being who is a citizen and many who are not. And it scares them. It just flat, plain scares most people. Not because of stupidity or irrationality, either. It's because this organization *wants* it that way. It *plans* for people to be scared. It very shrewdly utilizes the unprecedented amount of power it has over people from every walk of life for that purpose. Heck, that's even been admitted in print, as well as publicly, before congressional investigating committees. Which is really quite amazing.

THE TAX GESTAPO

There's only one such organization in America so widely feared and detested. It is the Internal Revenue Service, the ever-present "IRS." Now it may be that this organization is serving a necessary and valuable function, that of carrying out the laws contained in the US Tax Code. But it is also important to understand that this group of individuals is virtually all-powerful to the vast majority of Americans. "If they want you, they can get you," is the flat statement of Daniel Lewolt, recently executive director of the National Taxpayers Legal Fund, a Washington D.C., organization chaired by former-Senator Eugene McCarthy.

The statement is backed up by congressional testimony from victims of IRS abuse. Even the rich and powerful are not immune from such treatment, and it is no coincidence that the IRS is particularly diligent in scrutinizing the more visible and successful portions of the population. That too, is policy, as you are probably aware. In fact, you may well have been a victim of such policy in the past, Mr. President. By assailing the most successful people in our society, by going after those who are already in the public eye, by seeing that such people are attacked and harassed and humbled if possible before the tax-collecting bureaucracy. . . . Well, that's enough to put the fear of God into just about anyone.

And the thing is, Americans don't *like* to be scared. Not in general and not by their own government, in particular. It's been a long time since the American Revolution was started by a bunch of tax protesters. It's been a long time since we've really wanted or needed a revolt. But that's what appears to be happening today, right now, with the growth of the subterranean economy.

The revolt of the people of this country is showing up in other ways, too. *All You Need to Know about the IRS*, an ugly exposé of how the tax bureaucracy instills fear in the American people, written by someone who was one of them, was a bestseller for weeks and weeks in 1980. Have you heard about the full-length motion picture released in 1980, *Harry's*

War? It, too, is a popular exposé of how the IRS ruthlessly tries to smash anyone who might try to oppose it. The hero of the movie, a normally mild-mannered postman, is driven to actual warfare by the tactics of the tax agency. "*Hitler would have loved the IRS!*" he roars out at one point. And he's right. The IRS really *is* the closest thing to a Gestapo that America has ever seen.

Even Jimmy Carter, big-spending liberal that he is, recognized that the income tax system is "a disgrace to the human race." He naturally promised to reform it. The problem was that Carter, along with most of the Democrats he led, never even had a glimmering of what the solution might be. Tinker with the system just a little more. Harass a few businessmen for taking the "three-martini lunch." Tighten up a few "loopholes" because "everyone should have to pay something," as Carter put it. Maybe even widen the tax brackets or index them to inflation. None of which, of course, would have really done much for the public, put upon by a voracious tax-collecting agency and a tax system now almost totally out of control.

I guess I've gone pretty far afield from what I originally wanted to ask you to help us with. It's pretty hard not to lose track when you're talking about what may be—along with the destruction of our money by inflation—the most terrible and enduring wrong done to the American people by their government since the beginning of the Republic. For a free people to be penalized in progressively larger amounts, according to who is the most hardworking and successful—it's hard to square that with a realistic idea of the promise that was America. Oh, you can put a label on it and call it "progressive," but where does that really leave us, other than in the company of a group of influential welfare-state spenders, trying desperately to hold on to their power?

The plain fact of the matter is, the graduated income tax *necessitates* having a dangerously powerful bureaucracy that can accumulate information on American citizens far in excess of anything that any government should want *or* need. The possession of so much information on just about every individual in this country fairly *begs* for misuse. All are equally vulnerable to bureaucratic blackmail.

You know about that, perhaps more than most people, Mr. President. You know what it feels like to be harassed and attacked by the tax police. They started in on you right after World War II, charging for taxes you thought would never have to be paid. Then you found yourself in the 91 percent tax bracket. And just about ever since they've been nipping at your heels, worrying you about your finances. You can imagine what such harassment and constant battling mean for those who are less well-off financially than yourself.

HIGH-HANDED EXCESSES

To most of the citizens of this country, a call from the IRS, besides being a terrifying experience—because no one, not even the experts, can be 100 percent sure of what much of the tax laws actually say—means they can expect no mercy, no fairness, not even honesty from the tax-collecting arm of the government. The idea is even enshrined in federal court cases that say the IRS doesn't have to follow its own advice. In fact, they can turn around and *fine* you for doing what they told you to do in the first place. In the face of this kind of Alice-in-Wonderland Catch-22, most will have to simply pay up when the IRS decides how much they want to take. Who can afford high-priced attorneys and accountants?

This organization touches virtually every human being who is a citizen, and it scares them.

Besides, most people are simply trying to lead an honest, decent life. More than anything else they just want to be left alone. They have neither the time nor the resources nor the inclination to get engaged in a running battle with the tax authorities. This, of course, means the IRS may have the most potent weapon of all against the American people: constant harassment, constant worry, constant threat.

In the face of it all, is it any wonder that most people find it better to just shut up and pay, rather than face the full wrath of what the IRS can bring down upon their heads? After all, the tax collectors are *paid* to take people's money; doing their job full-time means they can spend virtually any amount of time and energy concentrating on any individual. Recent history has shown that when the IRS *wants* someone—and people have actually been driven to their deaths by this agency—they can "get" them.

Your own close associate, the Hon. Sen. Paul Laxalt, has extensive knowledge in this area, of the depredations committed almost daily by the Internal Revenue Service. Citing a recent Roper poll that found that "64 percent of the adults of this country think our tax system is totally unfair," Senator Laxalt went on to point out in congressional testimony: "The high-handed bureaucratic excesses of the IRS are a national disgrace. Evidence reveals that the IRS singles out areas of the country for special enforcement. It will go completely against Congressional intent and 30 years of past policy by changing its rules to squeeze out more revenue. When it seizes the property of innocent third parties, it makes no provision to rectify this wrong. It creates economic models and then ignores actual taxpayer evidence that runs counter to those models. It gives taxpayers help, often of poor quality, but will prosecute the taxpayer if the IRS is wrong. It will harass taxpayers with litigation, not to mention office intimidation. And when it sees fit, it will even ignore the clear rulings of the federal courts."

Going one step further, Senator Laxalt flatly stated, "We appear to be witnessing an agency totally out of control, running roughshod over taxpayers and making a joke out of our rules of laws. The cases of abuse are easy to document and too numerous to count. . . . I am unsure whether we must start at the bottom and rebuild the entire agency, or whether we can reform the present body."

Former Sen. Eugene McCarthy, concerned with the depredations of the Internal Revenue Service, went so far as to assume the chairmanship of the National Taxpayers Legal Fund, an organization striving to protect American taxpayers against the tax-collecting agency. He has publicly pointed out that "it is common knowledge that the IRS regulations applying to investigations are ambiguous and almost impossible to decipher. In addition, the IRS takes great pains to create an aura of fear surrounding compliance with tax laws. Many millions of dollars are expended by the IRS to promote their convictions for non-compliance with the tax codes. . . . In tax matters, by law, people are presumed guilty until they can

prove innocence. The taxpayer is forced, in an assessment situation, to defend his position in court, which is time-consuming and expensive. It serves as a fine against him for daring to question the decree of the IRS."

Both Senator Laxalt and former Senator McCarthy see some kind of "reform" or "taxpayers' bill of rights" as the possible solution to the problem of the Internal Revenue Service. But, sadly, neither are addressing the very basic problem that cannot be solved simply by a little tinkering with the tax bureaucracy here, perhaps a few new regulations or laws there. This is because the problem of the enforcing arm of the present tax laws of the United States is inextricably bound up with the way taxes are assessed.

The basic problem with the tax system in America today is not the IRS running "roughshod" and "out of control" over people's rights, as it does. The problem is the "progressive" income tax itself.

PENALIZING SUCCESS

It's funny, it must have sounded like such a wonderful idea back in 1913 when the 16th Amendment was passed to allow the taxation of income. "Only the rich people will have to pay!" was doubtless the cry. And it worked.

Ignored were the cautions of those like Edward S. Beach, who on October 11, 1913, warned in a letter to the *New York Times* that the new income tax law was about to unleash an "army of Federal spies whose nose will be stuck into the affairs of every man suspected of having an income of $3,000 or more a year." He further warned that "the millions who have scraped and saved to provide life insurance or put by money in savings banks will sooner or later discover that in their passion to sting the more fortunate and the rich they have stung themselves by the very class legislation which the Democratic politicians have foisted on the country as a bait for votes."

Doubtless such reservations were dismissed with smiles by those who championed the new income tax. *Only the rich will have to pay!*

Thus was a form of institutionalized covetousness introduced into the American experiment. What else can it mean when one person, the more hard-working and successful of two, must have 70 or 80 percent of his earnings confiscated by the government, while the less industrious of the two, the one who owns or makes less money, will have only 20 or 30 percent of *his* pay taken away? To a rational person, thinking of the value of productivity on the part of each and every individual in a society, such a result just doesn't make sense. *Success is penalized.* It's as simple as that.

Of course, to those who feel that success itself, and the material riches that success brings, is somehow immoral, perhaps gained at the expense of others...well, then the graduated income tax doubtless sounds like great fare. After all, not only are "those who can afford to pay" made to shoulder a much larger share of the burden, but the inequity caused by some people "having more than their fair share" is supposedly redressed. You yourself addressed the unfairness and stupidity inherent in such arguments during the televised debates during your presidential campaign: Why is it somehow "better" when government takes people's money and spends it—instead of those who earned it?

As to those who argue that someone having more than another is "unfair," where is the "redress" when the government confiscates an individual's wealth? In welfare and food stamps? Such schemes have benefited the bureaucrats who administer them far more than they have benefited the truly needy. So much so, in fact, that we now find three of the five richest counties in America, by family income, huddled protectively around Washington, D.C.

The problem cannot be solved simply by a little tinkering with the tax bureaucracy.

In addition, such arguments spring from a conception of society as a "zero sum," closed system. How can someone be seen as "taking more than his share" when successful people actually *create* wealth that benefits the entire society? Only someone who sees society as having only a finite amount of wealth, which must be divided up like slices from a pie, could possibly hold that a graduated income tax is a "good thing" for the people. That is simply not the way the world works.

But believe it they did, enough to institutionalize what is seen by a majority of Americans as the unfairest tax of all. Enough to lay the foundation for a government agency that virtually spits on the Constitution, mocking the notion of rule by law rather than by men.

GOVERNMENT WEAPONS

And that brings up the use of the Internal Revenue laws as weapons. Political weapons. Although wholesale law breaking and denial of rights by the IRS during the Nixon administration—complete with "enemies lists" to be audited and all—is most familiar to the American people, Richard Nixon was certainly not a trailblazer in that area. In *Conversations with Kennedy*, *Washington Post* Editor Benjamin Bradlee's book about the Kennedy years, Bradlee speaks of laughing together with Pres. John F. Kennedy and Atty. Gen. Robert Kennedy over lists of business executives being compiled for IRS audits. The crime: refusing to go along with the president's guidelines on steel pricing.

Karl Hess, former speechwriter for Sen. Barry Goldwater, and himself now an income tax resister, recounts the story of a good friend and supporter of Senator Goldwater's who was called on the phone by Pres. Lyndon Johnson. It seems the president had that individual's income tax returns on his desk and found them "very interesting." The price for not sending the IRS on a fishing expedition into the tax returns was a fund-raising party for Johnson's friend, Hubert Humphrey. "I can't take that kind of close examination of my tax returns," the man tearfully told his friend, Senator Goldwater. "I'm sorry, I'm going to have to give that party for Senator Humphrey."

It would be easy to go on, not only about the tax police but about the fundamental evil of a graduated income tax itself. About how, for instance, such a tax *encourages* inflation, which, as you know, is caused by government. With larger and larger percentages of people's earnings being taken by the government—as people are kicked into higher and higher tax brackets, even while their standard of living stagnates—more spending is encouraged. As the momentum of higher and higher spending levels increases, deficit spending is encouraged, which in turn causes more inflation. Higher inflation levels further enrich the government and those who live off of tax payments, which in turn encourages still more spending and more giveaways...which in turn helps to cause higher deficits, more infla-

tion...and so forth.

But enough. You know and understand these things yourself, Mr. President. My plea is simply this, for myself and for millions of other Americans: Please don't let them tinker away this best chance we've ever yet had to do away with the unfairness of a tax that penalizes hard work and success. You know this is what they'll try to do, all those who are living so high and well on the backs of the taxpayers. We may not even *get* another chance, politics being what it is.

TAXING ALTERNATIVES

And given that a clear majority of the American people see the federal income tax as the most unfair tax they pay, why *not* make some fundamental changes? Why not just toss the flawed system out entirely, get rid of the graduated income tax and put in its place, for instance, a flat-rate tax that would yield the same amount of income for the government (if that were seen as a desirable end, which it surely is not)? The Nobel Prize-winning economist Milton Friedman has figured that a simple, flat-rate tax of only 13 percent would bring in the same amount of revenue as the government currently receives.

Or, perhaps better yet, rather than compounding the error by perpetuating a fundamentally wrongheaded tax, why not scrap the concept of taxing income altogether and replace the entire system with a tax on *consumption*. Besides righting the inequity of taxing people for working hard and being successful, this would encourage living within one's means, as well as promote savings. A higher level of savings in a society, forming the all-important capital pools from which come material progress, means a higher standard of living *throughout* the society.

Either suggestion means the end of the sort of internal "tax police" we've become saddled with. If the tax laws are in fact easy to understand, and everyone pays a flat rate of some kind, what is the necessity of an all-powerful bureaucracy constantly checking on everyone, making sure no one took the wrong deductions? Or "too many" deductions? If our basic tax code involved a simple, flat-rate tax, there would be no need for the myriad complexities of the present tax code—and thus no need for a powerful tax bureaucracy to interpret it.

Not that it would be easy to do this. It would be a long, viciously fought battle. Even though everyone seems to agree about the unfairness of the present tax system, *someone* must be benefiting from the way it exists today. And that is predictably the problem. Besides the most obvious beneficiaries of the tax system—lawyers, accountants, tax preparation specialists, who together take in millions, if not billions, each year thanks to the complexity of the tax code—there is, of course, the government itself. It reaps, as noted, huge and continuing windfalls. The more inflation it causes, and the more distress it thereby causes among the people in our society, why, the better off it is.

Then there's still a *third* group that can be expected to fight against any real change in our tax system: the very wealthy. Paradoxical as that may seem—since "upper income" individuals pay by far the majority of income tax in America—the reason for it is obvious. Our present crazy-quilt, patchwork system of income taxation, as unfair as it is to the middle classes, has embedded in it *thousands* of ways to avoid taxation.

The problem is, you need the help and advice of trained experts to figure out how to use the tax code against itself. No unschooled person can possibly take full advantage of the tax-reducing possibilities in the present tax laws. That takes an expert. And such experts are quite expensive. But what of it? When structuring your finances so as to avoid taxes saves you 70 or 80 cents on the dollar, of *course* you're willing to pay top dollar for such expertise. It would be irrational to do otherwise! So we yearly are treated to stories in the popular press of millionaires who pay nothing. And, Jimmy Carter's chagrin at having a zero tax liability one year notwithstanding, they are not wrong for doing it!

Should such an iniquitous system even be prevented from toppling?

The problem, I repeat—and repeat *again*, if necessary—is the very notion of a graduated, "progressive" tax on income itself!

NO ONE ESCAPES

At some point here, it may fairly be asked how I know all of this. What is my own interest, beyond simply being a member of society myself? To which I would have to answer: I myself am a beneficiary of the system as it exists. I am a lawyer and a tax specialist. However, that places a very heavy burden on one who feels strongly about injustice. Because I daily *see* the suffering caused by our present tax system. Because I view at first hand the dumbstruck fear when the tax police decide to examine someone's finances. And I know, more than anyone who doesn't work in this business, that absolutely no one, rich or poor, young or old, a member of the majority or of any minority, is exempt from Internal Revenue Service pressure and harassment.

I've had clients who were on welfare—yes, *welfare*—presented with tax bills from the IRS for hundreds of dollars. Money that the individual, in any case, did not owe. I've worked with the struggling single mother who is *not* on welfare but only barely "making it" with her three small children to support. After having one IRS auditor recommend one thing, another turns around and assesses her still more money. And when she gets a lawyer to change the terms of her divorce, so as to change the tax consequences, the IRS simply says, "We won't honor that." In desperation, she turns to her local congressman, a powerful figure on one of the tax-writing committees... and is as much as told, "Do what they tell you to do." Except she can't, because she doesn't have several thousand dollars.

So the pain and fear and sense of hopelessness grow. And the hated IRS continues "doing its job." It is this close-up view of what the IRS can and does do to people that prompts me to ask you for help.

Mr. President, for the millions of us in America trying desperately to make ends meet, for the millions of us who fervently desire nothing more than to be left alone, for the millions of us who desire to work hard and avail ourselves of nothing more than the American dream of success and comfort, the workings of the US Tax Code, backed up by the Internal Revenue Service, have made our plight close to unbearable—in some cases, past bearing, in fact. This, finally, is the meaning of the explosive growth of the "underground economy." As Senator Laxalt put it: "Our entire tax structure, which is tremendously dependent on voluntary compliance, is in danger of toppling."

The only question that remains is

whether such an iniquitous system should be *prevented* from toppling. Almost everyone will agree that a free people will voluntarily place taxes upon themselves in order to receive "the blessings of government." But the same majority will agree also that the size, scope, and taxing powers of government today have gone almost totally out of control, haywire to the point where no one can stop it and no one can understand it.

The entire system, Mr. President, needs to be scrapped. The notion of so-called progressive taxation needs to be reexamined. In the last analysis, it never was more than an institutionalized form of that which the Tenth Commandment warns stringently against: "Thou shalt not covet thy neighbor's house; thou shalt not covet thy neighbor's wife, nor his manservant, nor his maidservant, nor his ox, nor his ass, nor any thing that is thy neighbor's." With the machinery of a graduated income tax in place, no one's house, servants, ox, or ass is safe from the clutching hands of government.

WILL IT TAKE A REVOLT?

I'm sorry to have perhaps gone on too long about all this. Maybe the problem will solve itself. Maybe something can be done to legitimize the current tax laws of the United States in the eyes of the people. It's doubtful, but perhaps possible.

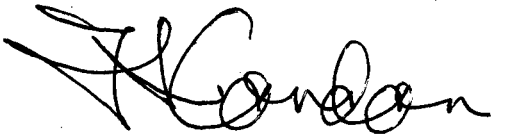
On the other hand, maybe the people have believed for too long and too fervently in our form of voluntary taxation. Maybe they've let it get out of hand by putting up with far more than they should have. Maybe the growth of cynicism and disrespect for the tax laws is a good thing. After all, even medieval serfs were only taxed 25 to 35 percent by their lords and masters. Today, the American government has surpassed that level.

One way or another, something will get done. Maybe we're long overdue for the revolt that is now occurring. It looks like those who live on the backs of the taxpayers have become just a little too complacent, pushed their good thing a little too far.

Your election, Mr. President, is one signal that the people have just about had enough. In one sense, you *are* the revolution—or at least a part of the revolution. Because of this, millions of us regard you as our last, greatest hope—hope for dealing with an almost crazy, out-of-control government and tax system. Please take whatever actions you deem necessary, Mr. President. Please get the government off our backs. Please see that the members of Congress are made to understand the burden that all of us—rich and poor; young and old; men and women; white, brown, black, yellow, and red—are laboring under.

We could use a break at this point. We could use simply a fair shake. It's time to scrap an entire system of funding government and come up with something better, more rational. I'm sure you understand, and your conservative principles will lead you to the right answers. We can't take too much more of this. Thanks for listening.

Respectfully,



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■ Karl Marx was not from the working class, and there are socialist millionaires. Does this square with the Marxist view that our ideologies arise inevitably from our economic class? James Rolf Edwards discusses this paradox of determinism.

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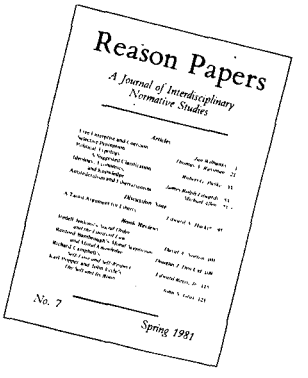

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Samuel

(Continued from p. 29.)

I guess such mystifying language together with my strange accent distracted him from verbal retaliation, for all he could say in response to my tirade was, "If you got a bad hotdog, you'd come running to me to complain and ask for help." To which I responded with much more abuse than logic: "I wouldn't come to you for anything. You couldn't tell the difference between a turd and a hotdog."

A couple of others in the waiting line shared my impatience, if not my bad language, and started telling him, "Get out of here," and, "Go away." Which amazingly is what he did. He threw up his hands and disappeared into the crowds. And in haste he left behind his clipboard and its half-filled out "violation form."

Mr. Hotdog Vendor had watched his customers' verbal assault on the inspector in speechless amazement, and when he saw his tormentor retreat, his eyes watered in happy relief and gratitude. "You save me," he repeated several times. He insisted on free lunches all around. A nice ending to a bit of spontaneous libertarian direct action? ◻

Peter Samuel is the US manager of Australia's largest magazine publishing group, Australian Consolidated Press. He writes a weekly column and occasional articles for ACP's newsmagazine, The Bulletin.

Palmer

(Continued from p. 32.)

> *of the people" in "democracy." Once this doctrine has been accepted, it becomes an almost superhuman task to break the stranglehold of the political power over the life of the citizen. It has had his body, property, and mind in its clutches from infancy.*

The second problem with the survival-of-society argument is that, like the parental irresponsibility argument, it shatters on the rocks of reality. Government-imposed uniformity in education cannot do what the argument supposes it can: it cannot eliminate differences or strife within a society. In fact, it often has just the opposite effect. In country after country, minority or conquered nationalities and cultural groups have had to fight furiously to prevent the obliteration of their language and culture by the State. Furthermore, as Dr. Robert Adair has pointed out, government-controlled schools are typically the fountainheads of radical activity *against* the existing society, so that State control of education may actually be counterproductive from this standpoint.

FREEING UP EDUCATION

Not one of the standard arguments for government support, operation, or control of schooling stands up under scrutiny. But what would the private-enterprise alternative be like? While it is not possible to make predictions that are *too* specific, there are some general features that can be expected on economic grounds.

The first advantage of a private system would be that, freed from the enforced uniformity that characterizes education by government bureaucracy, educators and educational entrepreneurs could innovate and experiment with new and more effective teaching methods. Today, for example, the school day is dominated by classroom teaching, which is a relatively inefficient method of instruction. A private, for-profit school would most likely make use of a wider variety of teaching methods—programmed texts, teaching machines, and televised lectures—in order to give its customers the most service for their money.

And it would have to! The second advantage of a private system is that it would force schools to serve their customers better at a lower cost. A school that ignored the desires of its customers, or served them inefficiently, would quickly be driven out of business as its patrons deserted it for more efficient and service-oriented competitors. Gone would be the elitist "public be damned" attitude of some educators and administrators today.

Third, since private schools would have to cater to their customers in order to stay in business, there would be innumerable educational options available to every student. High- and low-cost programs, correspondence programs, Bible-oriented schools, science-oriented schools, accelerated schools for gifted children, vocational schools, etc. Young geniuses would not be forced to take shop, and mechanical wizards would be spared the agony of reading *The Grapes of Wrath* and *Beowulf*. Would it be at all surprising to find students more highly motivated, making better use of the educational opportunities available?

The potential of private education was eminently clear to the TV viewers of Marva Collins's school in Chicago. But somehow, people are reluctant to believe that the demonstrated superiority would carry over into a private educational *system*. That switch won't come until people begin to understand the nature of a free society and to realize that it is the only society fit for self-respecting human beings. But if there is any social institution that is desperately in need of being made fit for self-respecting human beings, that institution is education. ◻

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Coming Attractions

Next month, REASON's eighth annual Financial Issue will feature:

- **Harry Browne:** an excerpt from his just-published book, *Inflation-Proofing Your Investments* (coauthored with Terry Coxon)
- **Howard Ruff:** on investments for the average person
- **James Sinclair:** on the case for investment in strategic metals
- **Walter Perschke:** on the long-term outlook for silver
- **William Donoghue:** on the prospects for money market funds.

Plus much, much more: diamond investing, stamp collecting, tax-deferred exchanges, an on-the-scene report on the world's largest hard-money conference, and a final interview with the late Col. Edward Harwood. All this and REASON's regular columns and features, too.

Less Is Really More

viewpoint

Alan Reynolds

Economic forecasting has become quite easy lately—it just requires a solid background in the alphabet. Last year there was speculation that we were in an L-shaped recession, or perhaps a U-shaped one. Then it turned out to be V-shaped, until economists decided it was W-shaped. I have just completed an elaborate technical analysis that demonstrates conclusively that all of those descriptions were wrong. What we have been in is a Q-shaped recesion. That's where you go 'round and 'round in circles until you fall off the edge.

Real after-tax income, per person, and industrial production have gone essentially nowhere for two years. Real GNP in the fourth quarter was less than one percent higher than at the start of 1979. The economy is fragile, overleveraged, volatile yet stagnant. We're suffering from the Anglo-American disease: taxing success to subsidize failure and guaranteeing loans to firms that don't supply what people want while abusing antitrust to break up those that do.

Since Christmas, I have been working with Dave Stockman at the Office of Management and Budget on the overall economic strategy and forecast. The essentials were already set by January 7, when we prepared a briefing book for the president. John Rutledge was brought in later to add a bit more courage to the forecast than we could squeeze out of Alan Greenspan.

The only significant changes have been to postpone the question of indexing the personal tax and to drop the idea of cutting the 70 percent rate to 50 percent right away. Media speculation about major internal disputes between Stockman and Donald Regan, about crazy forecasts of 7 percent real growth, and about the dominance of the "old guard" Nixon-Ford economists were and are entirely wrong.

The 1982-86 growth rate of 4.4 percent forecasted by the administration would be the second-most-anemic postwar recovery—particularly since it follows almost three years of stagnation. Yet *Business Week* finds the forecast "wildly optimistic" and "amazing," while also reporting (quite incorrectly) that it was "drastically scaled back."

The Administration's basic strategy is to use monetary policy to slow the growth of spending (nominal GNP), while using tax, budget, and regulatory policy to lower the barriers to expanding production (real GNP). With fewer dollars spent and more goodies produced, inflation necessarily comes down. The forecast shows the deflator slowing from 9.9 percent this year to 5.4 percent in 1985.

With good reasons to expect less inflation ahead, there will be less rushing to borrow in order to hedge, speculate, and buy before prices go up. There will also be more reason to save. Together, that means falling interest rates. Bond yields are forecast at 10.7 percent in the final quarter of 1981, 8 percent at the end of 1984.

Lower expected inflation strengthens the dollar, holds down prices of commodities priced in dollars (including OPEC oil), holds down wage demands, and otherwise constrains costs. People shift from tangible assets, like gold and diamonds, to financial assets—facilitating the financing of business investment.

Now, this vision of the future conflicts with both of the leading schools of political philosophy—cynicism and skepticism. It is also judged impossible by one of the two leading schools of economics, and there *are* only two—the right wing and the wrong.

Keynesian theory says we have to alternate between using unemployment to fix inflation and using inflation to fix unemployment. It doesn't work. We get more of both.

Supply-side economics, by contrast, says we can only get more and better goodies when people supply more and better effort and capital and use them more efficiently. If people don't get to keep much of any added earnings, because of rising marginal tax rates, they won't try hard to earn more by producing more. And if real output and income per person is not rising, neither is that thing we call "the economy." People are important, and people with high earning potential are particularly important. Some economists have somehow left people out of their models.

Let's run through some of the reasons behind the Reagan package.

First, federal spending. It has doubled since 1975. It was growing by 7 percent a year when President Carter took office; it has been growing by more than 18 percent over the past year. All private wages and salaries now add up to only twice as much as the government salaries and transfer payments they must support. We clearly have more government than we can afford, whether we pay for it by taxing, borrowing, or printing money.

And it is naive to suggest that much of the $433 billion in nondefense spending (aside from interest) goes to the poor. If it did, they'd be rich! That's enough to provide the equivalent of $70,000 per family of four, tax-free, to the poorest 25 million people in America.

Even programs that appear to help the poor largely involve raising the demand for and price of the subsidized items—Medicaid pushes up medical salaries, food stamps bid up food prices, housing subsidies help construction, and so on.

Of nearly $50 billion in proposed budget savings in 1982, only $5.2 billion is trimmed from programs that are ostensibly for those with low incomes. Even then, the cuts do not affect anyone who approaches a meaningful definition of poor.

Then there are taxes. Federal taxes alone were 18.3 percent of GNP in 1976, 21.1 percent this year, and would soar further to 24 percent by 1986 under the previous administration's budget. That would be a $290 billion increase in just the *share* of our income going to taxes. The Reagan tax cuts merely bring the tax share down to 19.3 percent in a few years—the same average burden as in

1978, but lower at the margin. The percentage of taxpayers in brackets above 30 percent has at least doubled since 1976.

And the budget? Instead of using a balanced budget to help fight inflation, the last administration used inflation to balance the budget. That's a curious reversal of ends and means, and it doesn't work.

It may be helpful to recall the technical definition of a deficit: a deficit is what you have when you have less than you had when you had nothing. Some argue that massive deficits will necessarily prevent interest rates or inflation from declining. They cannot explain what happened in 1976, or in Germany and Japan.

The budget deficit was 4.5 percent of GNP in 1976, absorbing almost 22 percent of gross savings. It was 2.9 percent of GNP last year, 12.7 percent of gross savings. Those proportions will be much smaller this year and beyond—about 2 percent of GNP this year, for example.

Treasury borrowing *does* displace private borrowing, but there will be less *need* to borrow—and hence more savings available—with the tax cuts. Financing the deficits may push real interest rates up a bit, but nominal rates will surely fall if the Fed stops monetizing so much debt. There is no visible link between the size of deficits and how much the Fed buys, which is why falling deficits under Carter were accompanied by an unprecedented three years of 8 percent money growth. From the second quarter of '75 to the same quarter of '79, the deficit fell from an annual rate of $99 billion to an insignificant $8 billion; inflation went from 6.8 percent to 12 percent. The only place we need credit controls is on the Fed's portfolio.

We'll *never* balance the budget if we don't cut tax rates. Without growth, payrolls and profits are too weak to generate much tax revenue. And federal spending ends up *much* higher on unemployment benefits, food stamps, trade adjustment assistance, public works schemes, bailouts for depressed industries and distressed cities, debt service, and so on.

The risk is that the president's bold new experiment will be whittled down by inches. A French fable tells us you can't boil a frog by tossing him in boiling water, because he'll jump out. You have to put him in cool water and turn the heat up slowly. A lot of timid people are trying to boil Dave Stockman that way, but they underestimate how far he can jump.

Alan Reynolds is vice-president of research at a major US bank.

washington watch

Capital Thinking

By Robert James Lee

Washington is a city of assumptions, the most pervasive of which is that government knows best. It is considered axiomatic that higher taxes and spending, new programs, and more regulations are necessary to benevolently shape and direct American life.

This assumption clearly has underlaid previous administrations. For instance, three years ago, Joan Mondale was interviewed about the arts and asked: "How can you shape a policy when you don't spend any money?" Indeed, how can you? Unfortunately, she apparently saw no need to ask, "Why should you?"

Similarly, when Carter's assistant agriculture secretary, Carol Foreman, left office, she gave herself "good marks" for making more needy people eligible and expanding the Women, Infants and Children nutritional program. Her goal was not to get people off of federal largesse; it was to get them on!

The Reagan administration and Republican Senate do offer the hope of change; for 17 years President Reagan has consistently challenged the intrusiveness of government. Yet in his inaugural address, Reagan did emphasize that his goal was not to do away with government but to "make it work"—to make it "work with us...stand by our side...provide opportunity." Unfortunately, Reagan, though having a vision of a substantially smaller government than did previous presidents, apparently has succumbed to the operating assumption that government should provide opportunity, work with us, and stand by us.

Some of Reagan's cabinet nominees more clearly accept the basic assumptions of past years. For example, UN Ambassador Jeane Kirkpatrick has complained that Republicans have "consistently emphasized private concerns such as profit and taxes...[and] have not communicated a persuasive conception of the public good." Kirkpatrick doesn't explain why private concerns are necessarily separate and distinct from the "public good." She merely assumes it.

Similarly, Energy Secretary James B. Edwards took up his post with the assurance that he was "signing on for the duration" and did not "intend to preside over the [rumored] dismantling of the Department of Energy." The reason? "There has to be some sort of focus for energy policy." But why must the focus be in government? The government's energy policy has *created* our energy crisis. Indeed, Edwards more recently declared that "you should have some reason other than the free market" for lifting natural gas price controls. But why? Again, we have the blind assumption, not reasoning.

Then there's Commerce Secretary Malcolm Baldridge. He recently accepted that Japanese auto imports are a "problem" to be "solved" by the government. And Transportation Secretary Drew Lewis says that solution may be import limitations. In a view shared by our ambassador to Japan and much of the Congress, the availability of low-cost, quality cars for Americans is—apparently by definition—a problem requiring governmental action.

Nor has the Republican victory changed the underlying assumptions held by the Washington political establishment. For example, there are apparently few people other than OMB Director David Stockman who believe that even $50 billion can be cut from the 1982 Carter budget of $700 billion. The *Washington Post* headlined one article: "It's Tough to Trim—Whether from a Line Item or a Big Project."

This attitude is personified by Senator Kennedy's rejoinder to the proposed cuts: "I am not prepared to see the social progress of a generation swept aside." The ubiquitous, and flawed, assumption is that only government can guarantee "social progress." Proposing merely to trim the duplication in welfare programs has led to a spate of articles on the "losers" in the budget fight—welfare families, poor students, the unemployed, and on and on. And this when the Reagan administration placed more than $200 billion in social spending beyond the budget ax.

Similarly, cutting synfuels subsidies is

denounced as a retreat from energy independence. Reducing subsidies for mass transit automatically means less transportation. Reducing Farmers Home Administration loans will destroy rural America, and terminating Urban Development Action Grants will terminate urban life. And so on.

Unfortunately, even most Republicans play these hypocritical games. But if they are serious about changing the fundamental course of government, they will have to change the commonly accepted definition of politically feasible. Merely accepting the commonly accepted will result in the commonly accepted result: runaway federal spending, interest rates, inflation, and unemployment.

Others infused by this assumption include the Select Commission on Immigration, headed by Rev. Theodore M. Hesburgh, president of Notre Dame University, which has spent thousands of dollars studying the "problem" of illegal immigration. And guess what? Where there's a problem, government must solve it. The commission's solution: worker ID cards, and civil and criminal penalties against employers who hire illegal aliens.

Similarly, the Drug Enforcement Agency, which exists to "solve" the "problem" of drugs, has proposed a new draconian measure to cut down the flow of drugs—stripping drug traffickers of their assets. Apparently, any little repression is justified if one assumes that drugs must be stopped at all costs.

Finally, black civil rights leaders have sought assurances from the Reagan administration that there will be "no backward steps" in fair housing, job opportunities, and voting rights. These demands reflect their common assumption that blacks can prosper only through government largesse. Again, the assumption, with no discussion.

Ronald Reagan represents a fundamental shift in philosophy for Washington, but long-held underlying assumptions will take a long time to die. For once life has been breathed into opposite assumptions—for example, that the end of federal money to, and programs for, education does not mean the end of education—the justification for Washington's money, departments, and bureaucrats will die. And who in Washington would want that to happen?

If Ronald Reagan is able to change the Washington assumption, he will assure himself a place in America's history books. And he will deserve it.

Robert James Lee is a Washington attorney and a free-lance writer.

taxes

Delaying the Inevitable

By Timothy Condon

As this magazine arrives in your home (assuming the USPS has performed), America's annual "day of infamy" approaches closely. That is to say April 15, which has become a symbol of government's ability—and willingness—to loot the productive capabilities and wealth of people who live under it.

Not surprisingly, most people prefer to wait till the very last minute to send in their federal tax forms—even those who look forward to receiving refunds on the withheld amounts confiscated over the year by their employers for the government. This is a good idea for most people, too, since the millions and millions of last-minute returns filed mean a tremendous jam-up and thus more chance for your tax return to slip through unexamined. Which means generally less harassment, fear, time lost in audits, etc., for those who wait till the last minute.

On the other hand, there are many of us who just can't seem to get around to messing with the damn tax forms during the normal period from January to April 15. What about us? Well, if you're one of these, fear not. You can put off the income tax filing deadline for two more months, automatically and legally. All you need to do is pick up a Form 4868 (*Application for Automatic Extension of Time to File US Individual Income Tax Return*) at your local post office or IRS office, fill it out, and send it in. Result: you get an automatic extension of the required time to file, till June 15.

Now there's a kind of paradox here. The Form 4868 is not a reprieve from paying the tax you owe. If you're going to owe something (above and beyond what's already been taken through withholding or the payment of quarterly "estimated taxes"), then you're supposed to pay that amount when you send in the form. On the other hand, if you're due a refund, shame on you for letting the government keep your money one second longer than you have to—you should have sent in your return on New Year's.

In any case, the benefit to be gained from using the Form 4868 to get an extension of time to file has to do with avoiding penalties: the law provides for a penalty of five percent of the amount of tax due, for each month the return isn't filed, not to exceed 25 percent extra (of course, if they owe *you* a refund, this penalty isn't assessed). *Willful* failure to file a return or pay a tax can be punished with a year in jail or $10,000 fine...or both. In practice, these penalties are rarely assessed unless the IRS is desirous of making an "example" of someone.

Tacked on to either of these penalties is the ubiquitous "interest penalty" for not paying on time. That interest rate was raised to 12 percent last year, but with inflation still running around or over 12 percent, paying such a penalty is like paying off a no-interest loan. So if you want to take advantage of the automatic time extension, here's how to do it:

1. Get the form, jot down your name, address, social security number, etc., in the relevant spaces.

2. Line 1 says, "Total income tax you expect to owe for 1980." Now how the hell do the federal bozos expect you to know how much tax you're going to have to pay if you're putting in the extension because you haven't done the work yet to figure that out? Don't ask anyone who's rational. But here's one way to deal with it: the amount that is withheld from your paychecks is carefully calibrated according to what marital status and how many exemptions you put on the Form W-4 when you started working at your job. *That* is the amount of tax *they* expect you to owe. It's a guess, but that's all you've got, at this point. The amount of tax withheld can be found on your W-2

Do you have a tax question? Mr. Condon may have the answer. Send your query along to REASON Taxes, Box 40105, Santa Barbara, CA 93103.

(A limited number of reader questions can be answered in print; personal replies cannot be made.)

forms (at least one set from each of your 1980 employers). Get the total and stick the number in the box on line 1 of the form. If you think you're going to have to pay *more* than was withheld (or paid by quarterly installments), they want a check along with the extension form. If you think you're going to owe *less* than the withheld—meaning you're expecting a refund check—too bad: there doesn't seem to be any provision on the 4868 for such an eventuality. You were maybe expecting even-handed treatment?

3. Go to line 2, where it says "Federal income tax withheld," and stick that amount in the box over on the right. Funny thing: that's the same number you just put above, in the line 1 box. Good.

4. Lines 3 and 4 ask for your "1980 estimated tax payments" (including amounts you may have left with them the year before when you could have gotten a refund) and "Other payments." For most of us, both of these lines will remain blank.

5. Line 5 says to add up the amounts you stuck in the boxes on line 2, 3 and 4. Do that.

6. Line 6 is labeled "Income tax balance due (subtract line 5 from line 1). Pay in full with this form." Well, if you did things right, this calculation should come out to a big, fat zero. Which is the way you want it to come out. You don't owe them anything. Ignore the call for "Total gift tax you expect to owe for 1980" on line 7. If you're rich enough to be owing gift taxes at the end of the year, you've doubtless got an accountant, lawyer, or tax specialist running interference for you.

7. Finally, you (and your spouse, if you're going to be filing a married/joint return) sign the sheet where it calls for your signature and slap a date on it. For the time extension to be good, the envelope carrying it must be postmarked by midnight, April 15.

One last thing: keep a photocopy of the Form 4868 you send off. When you finally get around to filing the income tax return, you staple that *on top* of your Form 1040. Which is to make sure they don't get any funny ideas about penalizing you for filing your return late.

Timothy Condon is REASON's tax columnist.

health & welfare

DMSO: Its Uses and Mode of Action

By Durk Pearson and Sandy Shaw

DMSO (dimethyl sulfoxide) is one of those drugs caught up in the quagmire of FDA regulations. We have seen it being illegally sold in many health food, hobby, and hardware stores in southern California. It is being sold by mail order, as well, via display ads in major newspapers and magazines. Judging from the prices at which it is offered, much of this quasi-illegal DMSO must be of industrial-solvent grade—which contains undesirable impurities such as dimethylsulfone, dimethylsulfide, and benzene—rather than the high-purity reagent, spectrophotometric (very pure DMSO for use as a solvent for substances to be analyzed by the selective absorption of ultraviolet, infrared, and visible light), or pesticide-quality (suitable for pesticide residue analysis) grades. DMSO is also available legally as an industrial solvent and as a prescription drug, RIMSO-50 (50 percent DMSO and 50 percent water). The prescription drug is approved by the FDA for the treatment of bladder cysts, and they warn that use of DMSO for any other condition may be dangerous.

DMSO has an almost legendary public reputation as a treatment for arthritis and sports injuries. Yet, because so much of that reputation has stemmed from anecdotal accounts (which can provide leads but cannot be considered proof of anything), because there is no patent protection available for DMSO (and consequently little incentive for a private firm to invest in DMSO research), and because the mechanisms of its action were not known until recently, DMSO use has been considered controversial. Now, however, researchers have discovered a major mechanism of its action which explains much if not most, of DMSO's beneficial effects in many cases of pain and swelling of arthritis and in reducing time required for the healing of injuries. At present, this drug is being used by millions of Americans, including sports teams, where injuries can represent a lot of lost income.

In 1974 McCord reported his studies indicating that free radicals are responsible for arthritis. Free radicals are molecules or atoms with an unpaired (free) electron, and they are extremely reactive. They are also ubiquitous in living organisms. All air-breathing organisms on this planet contain special protective enzymes (such as zinc-containing superoxide dismutase and selenium-containing glutathione peroxidase) and antioxidants (nutrient factors that both destroy free radicals and block uncontrolled oxidation reactions that result in their formation), including vitamins A, C, E, B-1, B-5, B-6, the amino acid cysteine, and the minerals zinc and selenium. Free radicals are now considered by many scientists to be major causative factors in aging, cardiovascular disease, cancer, emphysema, and many other conditions, including arthritis, dandruff, and acne pimples.

Radiation sickness is an example of a pure free radical disease. Radiation kills by creating free radicals, which then attack cell membranes, fats, DNA, RNA, and proteins. Dr. Denham Harman of the University of Nebraska, who originated the free radical theory of aging, calls free radicals "internal radiation." Free radicals arising out of exposure to external radiation such as x-rays represents only a very small part of the total amount of free radicals to which we are exposed. The rest are created during normal metabolism (free radical reactions are a necessary part of energy production) and during the breakdown of peroxidized fats (rancid fats created in the body by exposure of these fats to oxygen or other oxidizers). Although we do contain a generous supply of protective enzymes, the protection is not perfect and, over time, much damage is done.

There are different types of free radicals. McCord found that superoxide radicals and hydrogen peroxide (a common byproduct of metabolism) must both be present in order to destroy the lubricating fluids and membranes in our joints. The enzyme superoxide dis-

(Continued on p. 54.)

We invite questions of general interest from our readers. Send your query along to REASON Health & Welfare, Box 40105, Santa Barbara, CA 93103.
(A limited number of reader questions can be answered in print; personal replies cannot be made.)

spotlight

Middle-American Maverick

By Patrick Cox

Maurice Clements had served nearly two terms as a state legislator when he resigned from the Idaho legislature, mid-session, in March 1976. A farmer, Clements says he was elected to his first term in 1972 on a typical conservative line, but his views started to swerve toward libertarian lines through contacts with a libertarian Republican legislator and with Ralph Smeed, who introduced him to the Foundaton for Economic Education and the Austrian school of economics.

As a legislator Clements had tried to introduce only crucial bills, believing that much of the problem today is the sheer quantity of law that is passed. In every session he introduced a tax-reduction bill and on several occasions tried to pass a bill limiting Idaho politicians' term of office. He was unsuccessful, of course, but the last straw—as Clements says, "the culmination of my frustration"—was the way fellow Republicans handled his bill to initiate an educational voucher system in Idaho. As expected, the Education Committee would not even consider it, but Clements's plan was to take the bill through the Ways and Means Committee. With friends on that committee who spoke the free-market dialect, he thought that they would at least bring the bill into session for discussion. Instead, they refused even to have the bill printed.

"It so infuriated me," Clements recalls. "A whole legislature that was dominated and controlled by Republicans, and you couldn't even get a bill printed that would strike a blow for a somewhat half-way house approach to education!" So Clements called in the media, released a statement that was printed in part or in whole by several Idaho papers, and turned in his resignation.

"Due to political events of the past few years," Clements began his statement, "the image of the politician has fallen, perhaps properly, to new depths. I share the same disillusionment as most other people when I observe the political process. What concerns me most, however, is that few people understand the path we have followed to get where we are. It is very easy to criticize government and politicians for graft and corruption, mismanagement, political bungling and other numerous ills of our political system and yet, have not each one of us played at least a small role in creating this system which we are so quick to condemn?...

"A politician is delegated the power to pass laws that are hopefully just. This seems like an obvious statement with little room for misunderstanding. Yet this is where the confusion begins. What is justice? My definition of justice is the use of laws to defend the life, liberty, and property of the individual. If I were to ask you if you thought it just for one person to steal from another person's paycheck by threat of force, you would, I

Maurice Clements

am sure, agree that this would be wrong no matter what the reason for the theft. I must use the same logic when confronted with a government that steals from one individual, even though legally, and gives this money either to another individual or group." Clements went on in his statement, quoting Ludwig von Mises, to suggest that the best way to solve problems is not to use the political system but to rely on the market.

Shortly after his resignation, Clements joined forces with Ralph Smeed to form the Center for the Study of Market Alternatives in Boise, Idaho. They bought a facility in downtown Boise and started to gather an extensive library. The CMSA has helped bring Leonard Read and the FEE staff to Idaho for yearly seminars. They have brought speakers to the center and held seminars for high school and junior high school teachers on Clements's beautiful guest ranch in the Idaho mountains. The three-day seminars have been presented by three economists from Boise State University: Barry Asmus, the winner of the Freedom Foundation's award for excellence in private-enterprise education; John Mitchell; and Don Billings.

To say that most of the teachers taking the classes have come to look favorably upon the free market and individual liberty is not sufficient. One high school teacher, at the end of the weekend, stood and told the three professors: "I have spent my whole life developing my political and economic philosophy, and in one weekend you have torn it apart. Now what do we do?" That teacher succeeded in having a liberal economics text used in the Boise school system replaced with one written by a pair of free-marketeers.

Meanwhile, Clements's interest in privatizing education has not diminished. Through the CSMA, he is funding a project designed to bring attention to private, or market, alternatives to government schools. He is reprinting an article that first appeared in REASON, "Who Killed Private Education?" (Mar. 1979), in the Center's publication, the *Classical Liberal*, and distributing it to the schools in Idaho. He will then give $500, $200, and $100 prizes for the three best essays submitted by students both in favor of and against public education. A CSMA committee will judge the essays arguing against government education, and Idaho's Department of Education will choose the winners on the opposite side.

Clements has been a thorn in the side of proponents of strong government for some time. For more than 10 years he has been refusing to fill out his census forms. And farmers are subject to different census regulations from the rest of us. Every year, he has been sent requests for detailed and costly information about the operation of his farm. "They used to call me up at five in the morning just as they got to work in Jeffersonville, Indiana, and try to cajole me into giving them a few answers over the phone," Clements laughs. "And they threatened me with fines and imprisonment, too." But he has not cooperated.

Recently, Clements was involved in an attempt to block the passage of a mint marketing order. A marketing order is a kind of monopoly that was made legal in

the New Deal days; growers of certain crops can organize, form a "marketing order," and use the government to keep anybody else from growing their crop. Clements's attempts to foil this ploy with respect to one of his crops—mint—were unsuccessful. When the marketing order for mint was voted into law, Clements and his men plowed under 90 acres, about $100,000 worth, of mint, taking a direct loss and losing the right ever to grow mint without breaking the law. Principles can sometimes be expensive. In the same vein, he resigned from the Idaho Beet Growers Association because the organization was lobbying *for* sugar subsidies and *against* federal regulations. "Just another example," he moans.

Clements is not very optimistic about the future of freedom, but he says, "The benefits, if we could win, are so great that no matter how small a chance that there might be, it's well worth the effort to try to work in that direction. If there's one chance in a thousand, then we ought to continue to try."

Patrick Cox is a free-lance writer.

arts & letters

movies

Tess
Melvin and Howard
The Dogs of War
My Brilliant Career
The Big Red One
Tribute

Reviewed by John Hospers

ONE LOOKS FORWARD EAGERLY TO ANY new cinematic treatment of the masterpieces of Thomas Hardy. His *Tess of the D'Urbervilles* has been filmed before, but never with the atmosphere, the historic touches, the languor of Roman Polanski's new film **TESS**. The plot remains substantially unaltered, and the Wessex landscapes (actually filmed in Brittany) are beautiful and evocative, as is the entire recreation of the period. There are some lovely touches in the film, and here and there a strong emotional chord is struck. Polanski chooses a slow, leisurely pace—the film is three hours long—and, though this enables one to sit back and soak up atmosphere, the film is really too long to sustain high interest throughout, and not much happens that strikes the jugular. It's not wooden and awkward like Schlesinger's film of Hardy's *Far from the Madding Crowd* a few years back, but it isn't imbued with Hardy's strong vitality, either.

Why is it that Hardy's novels are so terribly intense and the films made from them are so emotionally diluted? Doubtless there are many factors, but the main one surely is Hardy's inimitable literary style, whose stately, solemn rhythm grabs the reader and places him in the fate-ruled world of Hardy's creation. Films, of course, cannot render this unique style, and no films of Hardy novels, not even Polanski's, succeed in immersing the viewer in this Hardy-world; in the film, there is simply a succession of misfortunes that happen to Tess, rather than the overpowering sense of malevolent destiny that Hardy evokes.

His two greatest novels, *The Return of the Native* and *Jude the Obscure*, have yet to be filmed. If they were done so as to communicate the impact of the Hardy-universe, they would be among the most powerful films ever made, supercharged with atmosphere and feeling like few things ever done. And yet one dreads it, too, for even the most faithful rendition of the story will not convey the "affect" of the most powerfully atmospheric of all novelists. In view of the monumental quality of Hardy's achievement, it is no wonder that something always happens to his novels on the way to the studio.

THE OPENING SHOT IS OF HOWARD Hughes (Jason Robards) alone on the Nevada desert, racing a motorcycle. He falls off, injured. After the screen titles, the headlights of a pickup truck reveal him lying down, and Melvin Dummar (Paul Le Mat) rescues him. There is an eerily fascinating scene of the two conversing in the truck. Dummar deposits Hughes in Las Vegas: "Shall I leave you off at the Salvation Army?" "No, this will do," says Hughes near a skyscraper hotel, and that is the last we see of him.

The remainder of **MELVIN AND HOWARD** deals with Dummar's life, his two wives, his unrealistic ambitions, his endless changing of jobs, his cars that are always repossessed, the one-step-forward, two-steps-back course of his life. A recital of the facts of his life wouldn't make very interesting reading, but the treatment of it in this richly comic and sentimental film, thanks to Jonathan Demmes's perceptive direction, makes fine viewing. His eye for relevant detail never falters. The man and his wife (beautifully played by Mary van Steenburgen) make excellent counterpoint: he the bumbling idealist who always loses, easily swayed by others but absolutely resolute in not permitting her to dance in a go-go joint; and she, the hard-headed realist who looks ahead, estimates her goals, and leaves him (until she hears of the will). Only his inarticulate dreams keep him going, though everyone else sees them to be hopeless; but in the midst of one self-caused disappointment after another, he will not permit them to be trifled with. The film is a sympathetic projection of the American dream, low-life style.

The will was invalidated by a Nevada court, and no new one has ever appeared. The film takes no position on whether the will was genuine. But it is so richly detailed in taking us into the lives of the characters that it makes us wish that the will had been admitted as valid, even knowing that if it had the money would soon have been wasted away.

AN IDI AMIN–STYLE DICTATOR HOLDS A sway of terror over a central African nation, killing all who oppose him and having citizens shot for dissent. No one dares venture out at night, and the dictator's goon squads are omnipresent and vested with virtually unlimited powers. An American mercenary, hired to check out the nation for stability before the company starts mining minerals there, is beaten and tortured. The company doesn't want to deal with a dictator, so it spends several million dollars on weapons and an invading army of natives who had fled when the dictator took over the country.

The first third of **THE DOGS OF WAR**, in which the audience gradually imbibes the atmosphere of a nation in the grip of terror, is effective and suspenseful. The remainder of the film, devoted to the logistics of the invasion operation, is somewhat less so. The surprise ending, however, is a blockbuster.

Christopher Walken, who displayed such a wide and subtle range of emotion-

ality in *The Deer Hunter*, is here limited to the role of an efficient killer, though one enlisted in the extirpation of evil. But the use of evil means to good ends itself tends to promote evil: the company that financed the invasion demands a monopoly of the country's mineral resources, and one can never be sure whether a new head of state will be an improvement over the old.

The film provides many occasions for such moral reflection. Can the death of innocent people, inevitable in a coup d'état, be justified by the good end it may serve? To succeed, the invaders must be almost as ruthless as the dictator's army. Yet if no one killed to unseat the dictatorship, its reign of terror would continue. The psychological effects on the participants must also be counted: they become inured to death and killing, and one wonders at the end whether to read Walken's face as exhibiting moral triumph at the extermination of evil or satisfaction at having done his deadly job so efficiently. Lovers of violence who see this film audibly express satisfaction at every exhibition of lethal weaponry and every volley of shots that hit their mark; but lovers of peace will be disturbed by many questions about the morality of that occasionally necessary evil, the use of mercenary troops, whose very efficacy enables peaceful citizens to walk about in safety even while they condemn the use of violence.

IN THE BACK COUNTRY OF AUSTRALIA IN the 1890s, parents arranged their grown daughters' employment and marriages; even the young woman's cousin tells her that marriages of friendship are preferable to those of love. Women don't have careers; they become wives and mothers and raise children and cattle in dusty barns and farmhouses. It is all shown us with vividness and a passion for relevant detail. In the midst of this Victorian atmosphere arises a young woman of iron will and independent spirit who wants none of this environment but seems chained to it by circumstances. Instead of being able to pursue music and literature, she is indentured to become a servant in the family of relatives.

This minor Australian masterpiece is extremely touching and has a fine feeling for historicity, atmosphere, and characterization. For anyone interested in the women's independence movement, it is a must; for everyone else, it is a dramatic exhibition of the condition of women before their emancipation. Nor is it propagandistically one-sided: "We all have such impulses, believe me," an aunt says to her, "but remember, loneliness is a terrible price to pay for independence." But this is the story of one for whom the price was not too high. In a remote Australian farmhouse she wrote the novel **MY BRILLIANT CAREER**, from which this film was taken. It was published in Edinburgh in 1901.

WESTERN MOVIES HAVE GONE OUT OF fashion. So, for the most part, have war films, at least those in the Old Tradition. This tradition is revived in **THE BIG RED ONE**—a rambling, episodic film with no great mounting tension, as in war classics like *Air Force*, *Objective Burma*, and *Battleground*; but somewhat more introspective and less rah-rah-rah, more like *A Walk in the Sun*. It does not shrink from detailing the horrors of war, but it concentrates more on the triumph over hardship and constant danger, an upbeat emphasis that has not been present in the spate of anti-Vietnam films. This one is about World War II, with Lee Marvin and four infantry privates, from Africa to Sicily to Omaha Beach to the liberation of a Nazi death camp. The camaraderie that grows best under conditions of extreme danger is nicely developed. Most of all this film is like *The Story of G.I. Joe*, though it lacks the greatness of that film; but, like it, it celebrates the day-to-day life of the infantry soldier slogging through the mud and cold of successive campaigns. That, in spite of all the suffering and death, there was victory at the end of the road does much to account for the spiritual difference between films about World War II and those about Vietnam.

TRIBUTE IS JACK LEMMON'S MOVIE, as it was his stage play when he did it on Broadway a few seasons ago. He is the same character: the show-biz father who studiously refuses to take life seriously, who makes no emotional commitments to anyone, and for whom the sound of his own voice doing clever one-liners and the sound of audience applause are the most gratifying things in his life. It is little wonder, then, that his son feels cheated of a father and that he should rebel against him—and that the father, once the diagnosis of terminal cancer is certain, should want, too late, to capture the love and respect of his son. Robby Benson plays the self-righteous son well enough so that we want to kick him in the teeth, but the best scenes, the only ones that are really emotionally involving, are between the father and his ex-wife, Lee Remick, who does a marvelous job in a bit part and gives the film its best moments of genuine feeling and spontaneity.

It's an old-fashioned plot, and it works its way without letdown to an effective climactic scene. But the film is different from the stage. In the intimate atmosphere of the theater, the interaction between father and son is moving and eloquent. As a film, this intimacy is lost; and the one-liners, clever though they are, tend to make the film talky and stagey and far less engaging than it was as a play.

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books

Flawed Manifesto

Wealth and Poverty
By George Gilder.
New York: Basic Books.
1981. 306 pp. $16.95.

Reviewed by Robert Poole, Jr.

You have to give George Gilder credit: he sure knows how to get press. His monumental *Wealth and Poverty* has been hailed on the editorial page of the *Wall Street Journal*, damned (in a cover story) in the *New Republic*, and described in half-page write-ups in both *Newsweek* and *Time*, the latter hailing it as "a Bible for supply-siders." Syndicated columnist John Chamberlain agrees, calling it "a seminal book that could be to the Age of Reagan what Stuart Chase's *A New Deal* and George Soule's *The Planned Society* were to the Age of Roosevelt" (*Freeman*, Feb.).

Movers and shakers are reading it, too. David Stockman, perhaps the most well read of those surrounding President Reagan, terms *Wealth and Poverty* "promethean in its intellectual power and insight." And neoconservative Nathan Glazer calls it "a really remarkable analysis of American social and economic policy that demolishes a host of pieties as to the causes of poverty and the conditions that overcome it." Clearly, Gilder has written a work that cannot be ignored.

Unfortunately, what could have been a masterpiece—a capitalist manifesto setting out once and for all the moral basis of a society based on individual liberty and private property—ends up seriously flawed. Gilder's brilliance in explaining entrepreneurship and making supply-

side economics understandable; his mastery of mountains of dry statistics on taxation, spending, income, poverty, race, and employment to explain in lucid prose the dynamics of wealth and poverty—all this turns to mush when it comes to the crucial philosophical underpinnings he so badly wants to shore up.

Gilder's aim is to show that capitalism is based, not on greed but on giving; on altruism, not avarice. In support of this view he describes potlatching (a ceremonial feast of the northwest Indians in which the host gives lavish gifts requiring reciprocation) and other forms of gift giving, pointing out that in most cases people give gifts not without expectation of *any* return but with no predetermined or guaranteed return. Investment, says Gilder, is a form of gift giving, in which the investor first *gives* in order to *get*, but with no guarantee of getting.

But this mere resemblance hardly makes investment into *altruism*, which is what Gilder wants to call it. And in fact, he wants to have it both ways, calling it altruism when it suits his moral purpose but talking pure self-interest when discussing the need for incentive-restoring tax cuts:

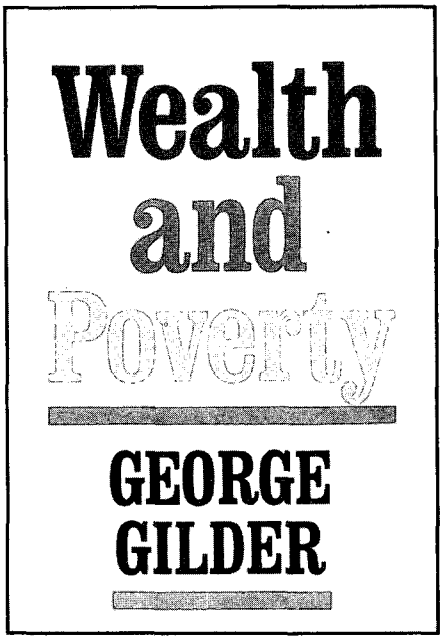
> *the impact [of marginal taxation] may be greatest, though, on the willingness to initiate risky or time-consuming projects. For these, at least a faint possibility of fabulous windfalls may be needed to call forth the high energies and heroic innovations of pioneering enterprise.*

If Gilder had spent as much time rubbing elbows with the entrepreneurs of Silicon Valley, whom he rightly lionizes, as he apparently has with the welfare poor, he would have seen that it is not from benevolence that these people work seven-day weeks for years on end to make their new ventures go. To be sure, they love their work, but they are moved to great lengths by the prospect of taking their enterprises public and becoming overnight millionaires. Nor does the investor in IBM shares seek to give; all he wants is a return on his investment—but what's wrong with that?

Ultimately, what Gilder wants to do is to justify capitalism on the basis of vaguely Judeo-Christian religious principles of faith and mysticism, rather than on the natural-law approach of the Founding Fathers. Repeatedly, he invokes the term *faith* as a key to understanding capitalism, but he switches unblushingly between two quite different senses of the term. On the one hand, in order to invest, one must be willing to act without perfect knowledge, to take risks; even in accepting *money* rather than goods in payment for labor one expresses faith or trust in one's fellow man, that others will accept the money in turn. Based on this commonsense observation, Gilder proclaims that "faith in man, faith in the future, faith in the rising returns of giving, faith in the mutual benefits of trade, faith in the providence of God are all essential to successful trade," slipping in the last as if Hindu merchants, for example—who are among the most entrepreneurial traders in Asia and Africa and who no more believe in Gilder's God than does Madalyn Murray O'Hair—did not exist.

Gilder also goes to great lengths to create a straw-man definition of rationality, portraying it very narrowly in terms of planning and control. As did "scientific socialists," Gilder confuses rationality with predictability, avoidance of risk, and central planning, rather than understanding that reason is a *process* for making sense out of information, a process inherently open-ended and ideally suited to operating under conditions of uncertainty. To concede rationality to one's opponents is to surrender before the battle. But that's what Gilder has done.

And in its place? The source of new ideas is not reason, he says, but chance, which is "the foundation of change and the vessel of the divine." And how does one plug into this source of inspiration? "As a person's mind merges with the living consciousness that is the ulterior stuff of the cosmos, he reaches new truths, glimpses the new ideas...by which intellectual progress occurs." This picture of human thinking and creativity plays right into the hands of Gilder's paternalistic adversaries, who share his view—though more on the basis of behaviorism and environmental determinism—that ultimately individuals are impotent, merely passive participants in nature's impersonal events.



That the book degenerates into such mush is tragic, because when Gilder confines himself to economics he is brilliant, and in sociology he is at least original and provocative. He presents one of the finest explanations of supply-side economics yet penned, tracing it to its Austrian roots in Say's Law (supply creates its own demand) and making these often-abstruse ideas come alive.

Like Ayn Rand and Joseph Schumpeter, Gilder truly understands and appreciates the entrepreneur's heroic nature and central role in economic growth and progress. No one who reads Gilder's chapter on entrepreneurship could ever again be taken in by the static-economy fallacies of John Kenneth Galbraith:

> *Nearly all of what Galbraith says about the nature of modern technology conflicts with our recent experience of it. While the professor chatted with Bob McNamara and Walter Murphy about the doings at Ford and GM, imagining himself to be right at the futuristic center of things in the "new industrial state," a real industrial revolution was, in fact, massively erupting behind his back. It happened in hundreds of smaller communities, led by men whom he had never met or heard of, and some of whom, stepping from university laboratories and scientific laboratories, had probably never even heard of him. These were the boffins, the callow geniuses of the semiconductor and microprocessor revolution, turning the world's most common matter, the substance of sand, into an incomparable resource of mind: a silicon chip the size of a fly, with computing powers thousands of times greater than a million monks adding and subtracting for millenia—an infinitesimal marvel that extends the reach of the human brain incomparably further than oil, steel, and machines had multiplied man's muscle in the industrial age.*

These entrepreneurs—and those venture capitalists who backed them—are truly heroes and deserve every penny they have made, *regardless* of whether they were in it for greed or for giving.

There is much, much more of value in the book than can possibly be covered in

a brief review. Gilder masterfully digests and explains the results of countless scholarly studies over the past decade or two, studies which document the failures of liberal icons such as affirmative action, progressive taxation, welfare, and CETA jobs. For a short-course in what nonliberal intellectuals have been up to since the '50s, Gilder's book is hard to beat.

One more subject must be mentioned, if only because Gilder is under merciless attack for it from feminists, and that is his discussion of the role of family structure in poverty. Briefly, Gilder argues that, by offering a welfare mother more in benefits than an unskilled lower-class man can possibly earn, the welfare state has destroyed lower-class nuclear families, leading to generations of children who grow up without a male role model and the achievement-oriented socializing that comes from living in a work-oriented household. Gilder expounded this thesis at length in an earlier book, *Visible Man*, based on two years of living in poverty neighborhoods, getting to know such people first-hand. In presenting this quite plausible thesis, however, he makes a number of rather sweeping statements about male and female roles, reflecting his own very old-fashioned notions about such things. One can dismiss the generalizations as—at the very least—unsupported, without rejecting what seem to be very important insights into the realities of welfare communities in America today.

In short, this is an important book, one that is well worth reading. At its best, it is brilliant. Its flaws, however, prevent it from being the kind of manifesto that capitalism urgently needs. For that we must await another book and, sadly, another author.

Robert Poole is the editor of REASON.

Allaying Social Insecurity

Social Security: The Inherent Contradiction.
By Peter J. Ferrara.
San Francisco: Cato Institute.
1980. 484 pp. $20.00.

Reviewed by Colin D. and Rosemary G. Campbell

Peter Ferrara's *Social Security* is the latest of a large number of articles and books about the current problems plaguing the social security system. It starts with an exposure of the ingenious mythology surrounding the social security system. It then analyzes the system's financial problems and the rationales that have been given for having the system compulsory. In the last two chapters, Ferrara evaluates the major proposals for reform made by others and presents his own libertarian reform program. Ferrara is a recent graduate of the Harvard Law School. The book is a challenging reevaluation of the social security system.

Ferrara's principal criticism of the system is that it is financed pay-as-you-go—current revenues used to provide current benefits. This type of financing, he contends, reduces saving and investment, gives persons a lower rate of return on their saving than they could get on private assets, and makes the system vulnerable to financial crises.

Ferrara supports his claim that saving and investment are reduced by relying on the results of Martin Feldstein's path-breaking studies; however, this criticism is not completely on firm ground because not all research on this issue has come to the same conclusion. The current debate over the effect of social security on saving is still inconclusive.

Ferrara's second criticism—that people can earn a higher rate of return on saving in funded programs than they earn from social security—is also not well supported. It is based primarily on estimates of the historical real rates of return on common stocks (7.5 percent) and on investment in real capital (12.4 percent before tax). In sharp contrast, the historical real rate of return is only 0.8 percent on long-term US government bonds, about 1 percent on municipal bonds, and 3 percent on corporate bonds. These latter investments are usually considered particularly appropriate for retirement accounts.

In our pay-as-you-go system, the average young worker who enters the system at the present time and pays social security taxes throughout his work life can expect to earn a real rate of return equal to the growth of real wages—about 1.75 percent. During the past 15 years, in contrast to Ferrara's expectations, social security benefits have risen sharply, while the real value of most private pension benefits (such as those from TIAA and CREF) has declined. Although Ferrara's proposals to extend tax exemptions to all types of saving for retirement and to pension benefits, as well as to payments to pensions and pension earnings, would increase the rate of return to saving for retirement, most tax reformers would choose lower tax rates rather than more exemptions.

In regard to Ferrara's third criticism, the reasons for the system's current financial crisis are much more fundamental than simply the lack of a fund to cover contingencies. F. A. Hayek predicted 20 years ago that the social security system would encounter financial difficulties of the type that emerged in the 1970s (see his chapter on social security in *The Constitution of Liberty*). The reasons he gave were the tendency for social security programs to overexpand, the difficulty of foreseeing future changes, and the slowness (or even inability) of a compulsory, national system of social security to adjust to changing conditions.

As Hayek predicted, social security benefits have been overexpanded—they were raised 15 percent in 1970, 10 percent in 1971, and 20 percent in 1972. These increases raised the ratio of the average worker's social security benefit to his preretirement earnings from 30 percent to 45 percent. When these increases were made, there was no looking ahead to any potential financial crises. The principal cause of the system's long-range financial deficit—the decline in the birth rate that started in 1957—illustrates Hayek's second point. It was not possible for the administrators of the system to foresee this demographic change. Finally, as Hayek predicted, the social security system has been slow in adjusting to the new demographic conditions. It was not until 1974—*17 years* after the start of the decline in the birth rate—that the Social Security Administration changed its demographic projections, the long-range deficit became apparent, and the system was widely reported to be "on the road to bankruptcy." Congress has still not done anything to correct the financial imbalance caused by the decline in the birth rate.

Ferrara tackles head-on a problem that most have thought impossible—phasing out the social security system.

Even if pay-as-you-go financing were retained, other features of Ferrara's reform program would eliminate most of the inequities in the present system. He recommends that the welfare function—care of those who are too poor to save enough for old age—be transferred to the Supplemental Security Income (SSI) pro-

gram. In the remaining insurance program, a worker's benefits would be based solely on his payments. This would eliminate the inequities caused by the progressive tilt in the benefit formula, the minimum benefit, spouses' benefits, the earnings test, and the maximum family benefit.

Ferrara's proposal to replace the present system with funded private pensions and insurance accounts includes a large amount of government regulation. In his initial program, persons who opt out would be required by the government to have private coverage; all eligible private pension plans and insurance accounts would be required to have government approval; their payments would be guaranteed by the government; and the government would issue special social security bonds to those who do not opt out. As an alternative to Ferrara's sweeping proposal, the present system might simply be cut in size. This would not only make it possible to avoid the expansion of government regulation of private pensions that he proposes but would still encourage various forms of private saving. As Ferrara has shown with numerous examples, the great variety of available private pension contracts and kinds of saving often meet the needs of particular individuals much better than a uniform social security system.

How to phase out a pay-as-you-go social security system is a particularly difficult problem. During the phase-out period, at the same time that the cost of the social security benefits of those who have retired and of those who expect to retire in the near future must be financed, the new generation (not covered by social security) is expected to accumulate alternative types of savings. In fiscal 1979, expenditures for old age, survivors, disability, and hospital insurance amounted to over $121 billion—one-fourth of the federal budget—and there are also several trillion dollars' worth of unfunded liabilities to those who have not yet retired.

In his program for reducing the system's huge unfunded liabilities, Ferrara again makes the questionable assumption that the rate of return that persons can get on private pensions is much higher than from social security. If this were true, younger workers could shift to private pensions and still receive a larger pension than they would have had, even if they forgo the amount owed to them by the social security system. Ferrara would cut back the system's unfunded liabilities by terminating the accrued social security obligations to such persons.

If payroll taxes were abolished, as Ferrara recommends, financing social security's current obligations would require that revenues from the corporate and personal income tax or from other federal taxes be increased. Ferrara believes that his proposal's stimulating effects on employment and investment would increase the income tax base sufficiently to avoid large increases in income tax rates, and he predicts that it would take only six to eight years to increase revenues enough to pay for the cost of current benefits. He assumes that eliminating the payroll tax would sharply increase the supply of labor and that the new private saving that would replace the payroll tax would increase real capital expenditures dollar for dollar. If his program could not be financed solely by a growing tax base, but necessitated higher income tax rates, the effect on employment and economic activity could be the opposite of what he expects. Also, Ferrara makes the mistake of assuming that the purchase of stocks and bonds by private pension systems would necessarily result in a similar increase in real capital expenditures.

Even though, in our opinion, Ferrara attaches too much importance to pay-as-you-go financing, his thorough analysis of its implications brings out clearly many of the important issues. Ferrara should also be commended for tackling head-on a problem that most persons have thought was impossible—phasing out the social security system. While he is probably overoptimistic about the effects of his reform program on the supply of labor and on capital formation, he discusses in a forthright way the problems involved.

Colin Campbell, a professor of economics at Dartmouth College, directs the American Enterprise Institute's studies on social security. Rosemary Campbell is a coauthor of their Introduction to Money and Banking *and of other publications.*

Book Hints

a selective mention of books received

First, a modest pamphlet that allows us the rare relief of laughing at our enemies. Petr Beckmann, who has been a professor of electrical engineering at a Colorado university since he left Czechoslovakia in 1963, has come out with a revised edition of his compilation of jokes from behind the Iron Curtain, entitled *Hammer and Tickle* (Boulder: Golem Press, 1980, 105 pp., $4.00 paper). A sample:

> *"Have you heard the latest? Czechoslovakia is going to have an admiralty."*
> *"What? An admiralty in a country that does not border on the sea?"*
> *"So? We have a Justice Department, don't we?"*

Another book that brings a somewhat different sort of delight is *The Entrepreneur's Guide* (New York: Macmillan, 1980, 173 pp., $8.95), written by Umbroller® baby stroller entrepreneur Deaver Brown. Brown opens the book with a nice quote from Thomas Jefferson to explain the attraction for entrepreneurship, "Freedom is the right to choose. The right to create for oneself the alternatives." The rest of the book is readable advice on the millions of details involved in setting up shop: how to evaluate whether you have the necessary entrepreneurial talents, choosing a product and a market, obtaining loans, hiring personnel, establishing administrative priorities, etc., etc. (Brown is, incidentally, a Harvard Business School graduate). In a similar vein, Murray Miller and Franz Serdahely have coauthored *How to Win the Battle against Inflation with a Small Business* (Wilmington, Dela.: Enterprise Publishing, 1980, 163 pp., $14.95). The title is somewhat misleading, as the book goes into a lot of investment strategies, such as purchasing buildings at auctions, building your own home, the benefits of bartering, and computer usage, as well as the traditional aspects of setting up a business: risk capital, stocks, financing, and partnerships. A last reference book is *How to Do Your Own Accounting for a Small Business* (Wilmington, Dela.: Enterprise Publishing, 1980, 291 pp./set, $14.95/set). The text and the accompanying practice manual (paper) were written and prepared by Robert Milliron, a retired public accountant and author of fiction books. Written for the average person, it offers step-by-step instructions, complete definitions of all terms, exercises, as well as hints on how to accommodate the Internal Revenue Service and to analyze your financial statements.

An interesting book on "intellectual property" has just come out, called *Who Owns What Is in Your Head?* (New York: Hawthorn Books, 1980, 296 pp., $6.95). It focuses on the question of trade secrets and mobile employees. Author Stanley H. Lieberstein provides us with both theories and cases, as well as guidelines for both employers and employees on what exactly constitutes a trade secret and what legal procedures are recommended for protecting confidential information.

—C. D.

Authoritarianism Begins at Home

The Psychology of Freedom: Liberty and Love as a Way of Life.
By Peter R. Breggin, M.D. Buffalo, N.Y.: Prometheus Books. 1980. 242 pp. $15.95. (Discount distribution by Lake House Books.)

Reviewed by Sharon Presley

There is a peculiar notion popular in certain libertarian circles that psychology is irrelevant to libertarianism. Like Marxists, holders of this view prefer to invoke economics to explain social behavior. But this economistic approach to human behavior is as inadequate as the scientistic analysis of social issues that Hayek discusses in *The Counter-Revolution of Science*. Economism is utterly incapable, for example, of answering such fundamentally crucial questions as why some people want to live in a free society and some in a controlled one, or why some people submit to authority and some reject it.

Though *The Psychology of Freedom* is not directly intended to answer such questions, it offers important clues along the way. What *is* explicit is the link between psychology and politics:

> *The personal and the political are inextricably intertwined. If the government of the United States suddenly began to reaffirm the principles of 'life, liberty, and the pursuit of happiness,' sending Big Brother into retreat, many of our citizens would find themselves hopelessly mired in personal helplessness. Before long we would be moving again toward big paternalistic government and the erosion of our liberties. So self-oppressed are most of our citizens that they would seek a return to oppression as the only 'safe' way of life.*

What is needed to end self-oppression, says Breggin, are personal ethics based on libertarian principles. And the purpose of his book is "to show the feasibility of living by [libertarian] ethics and to demonstrate that they can maximize self-fulfillment in the life of the individual. . . . you can live fully and happily by a set of ethics based first and foremost on individual rights and individual freedom."

The cornerstone of Breggin's theory is the principle of self-determination—"the determination of one's own course of action, freedom to think and act without restraint"—a psychological counterpart to political liberty. Closely related is personal sovereignty, "the capacity and right to be in charge of one's inner subjective world of feelings and thoughts,"—a psychological counterpart to individual rights. The third basic element is free will. Breggin sees the individual as a "sovereign moral agent," always able to make choices and exercise personal responsibility for his or her actions *and* thoughts.

Offering "libertarian ideals to live by," Breggin discusses the implications of these principles for personal life, interpersonal relations, children's rights, and romantic love. "In the psychology of self-determination," declares Breggin, "ethics are unconditional." This means that "libertarian values and ethics can and should be applied without compromise to daily living." One of the most important values to be applied is the noncoercion principle: any *psychological* assault on personal sovereignty is as unethical as physical coercion. (Ethics and law do not coincide, adds Breggin, so he is not suggesting *laws* against psychological assault!)

You need not totally agree with Breggin or even have children to appreciate the chapters on parent-child relations.

Abdication of self-determination leads to self-oppression, a "self-imposed psychological crippling in an attempt to deal with oppression." Self-oppression, Breggin declares, is the cause of personal failure and personal problems. In four chapters of great value to both clinicians and laypeople, Breggin discusses how people choose to fail, the three basic lifestyles of self-oppression (paranoia, depression, and anxiety), and the emotions of self-oppression (self-hate, guilt, shame, and anxiety). But, Breggin believes, no matter how neurotic or self-oppressed an individual is, he or she can still take responsibility and make choices. He adds substance to his theory with examples, from his own psychiatric practice, of people who did finally choose not to fail.

The primary source of self-oppression, asserts Breggin, is the family. Although children have free will and personal sovereignty, they are denied self-determination by their parents. "The average parent possesses more authority and influence over the details of the life of the typical growing child than does the most potent dictator in a totalitarian nation." The result is that "most personal problems derive from early compromises of self-interest and self-determination made by the child in the interest of surviving the totalitarian situation of childhood." The cycle is self-perpetuating. Parents oppress their children; the children react by becoming self-oppressive and then, as adults, oppres *their* children. And the problem extends from the personal to the political realm. Parental undermining of the child's sense of natural rights, he contends, leaves the child in doubt about the concept of human rights as an adult, and parental oppression plays a large role in inculcating obedience as adults to authoritarian institutions.

Breggin's solution to the problem of parental oppression, a radical and trail-blazing aspect of the book, is that "voluntary association or noncoercion should be the guiding principle of parent-child relationships. If anything, libertarian principles must be adhered to most scrupulously in relating to children, for they are too helpless to stand up for their own rights."

Noncoercion means that parents are never justified in using more than the "minimal necessary force" in dealing with conflicts and then *only* in self-defense, in defense of the person or property of others, or to keep the child from immediate injury. Nor are *nonphysical* punishments acceptable. Parents, asserts Breggin, have no right to manipulate the giving of love, food, and shelter in order to control children. This does not mean, Breggin is quick to point out, that children can run wild. *They* have no right to infringe on the rights of others. Thus, actions that threaten the peace of the family such as loud noise in the communal area or whining need not be tolerated. But conflicts should be dealt with through reasoning, not punishments. "The best way to encourage children to treat you well is to always treat them well."

Evidence from psychological research lends some support to Breggin's theory of parent-child relations. Martin Hoffman, for example, found a positive correlation between parental use of "induction" (reasoning about the consequences of the child's actions) and high levels of moral development in children. Power assertion, on the other hand, showed a negative correlation and love-withdrawal none.

You need not totally agree with Breggin or even have children to appreciate the chapters on parent-child relations.

They provide an unparalleled illustration of why libertarian principles are relevant to personal life and, conversely, why personal life has significant implications for political life.

Impressed as I am with the book, I do, however, have some objections. In his discussion of love and esteem for others, Breggin asserts that "love for others is the source from which we grant rights to others." Breggin's definition of *love*—"the good feeling generated by placing high value upon another person's existence...and by recognizing... another's humanity" is not so far from Nathaniel Branden's concept of valuing ourselves and others simply because we exist, but do we really want to call this *love*? The ancient Greeks had no such semantic dilemma; they used two terms (*agape*, or "brotherly" love; and *eros*, or sexual love). We have less choice, but using one term for both concepts muddies the intellectual waters too much.

Breggin's discussion of "sexual possessiveness," however, presents more than just a semantic difficulty. Stating that *he* has never encountered anyone who ever romantically loved another person without wishing to "possess" that person exclusively, he then jumps to the illogical and decidedly dogmatic conclusion that "invariably, denials of possessiveness are either self-oppressive or reflect an actual lack of love." Not only do I disagree in theory, finding "possessiveness" neither necessary or even agreeable (though a possible choice), but I do know of actual cases of nonpossessive *romantic* love. On this score, Branden is more sensible, admitting at least the possibility (admittedly rare) of nonmonogamous love relationships.

But in the total context of the book, these flaws are minor. Breggin's pathbreaking integration of psychology and politics makes *The Psychology of Freedom* one of the most important libertarian books in years—if only we heed the message. His application of the idea that human action ought to be governed by the same principles whether in personal or political life not only can make the lives of individuals more self-determining but also shows that political libertarianism is logically consistent with nonlibertarian humanists' belief in psychological nonauthoritarianism. His insights into the roots of self-oppression and obedience to authority provide rich grounds for future research as well as for expansion of libertarian concern into new areas such as children's rights.

The personal and political are but two aspects of the whole. Economics is not enough. Politics is not enough. Even psychology is not enough. We need integration, not compartmentalization. Libertarians ignore that message at the peril of the cause we hold so dear.

Sharon Presley is currently completing her Ph.D. in personality and social psychology. Her dissertation research concerns resistance to authority.

How to Manage A Big Business?

On a Clear Day You Can See General Motors.
By J. Patrick Wright.
Grosse Pointe, Mich.: Wright Enterprises. 1979. 237 pp. $12.95.
New York: Avon. 1980. 237 pp. $2.95 paper.

Reviewed by Dennis Chase

In the 1920s, when the United States was still a place where you could find a few swashbuckling entrepreneurs, General Motors was becoming the most revolutionary organization in the world. Astonishingly, GM would overtake indomitable Ford as the world's premier automobile manufacturer by reorganizing itself on a scope and scale never tried before. While Ford gave mobility to America by marketing an automobile in a middle-class price range, GM gave organization to large-scale manufacturing that enabled businessmen to profit from their genius and spawn more businesses.

The architect of all this was Alfred P. Sloan, Jr. As head of GM during its crisis years, Sloan probably saved GM from extinction by reconciling the conflicting pressures that haunt any organization between centralization and decentralization. In his autobiography, *My Life at General Motors*, which has become the US business executive's capitalist handbook, Sloan told how he combined autonomous, decentralized units—sometimes competing with one another for the same driver—with centralized financial controls, all within the same company. That, plus his vision of a segmented automobile market running the gamut from used to premium-priced cars, eventually swept past Ford, which stuck too long to a centralized organization churning out one kind of vehicle until finally even Ford caved in and adopted the winning GM formula.

But Sloan's work, once a handbook, has become potentially an epitaph. Modern industrial organizations no longer turn out single products made by single technologies. They no longer operate in one country. And, as the Japanese have shown, there isn't a single industrial company that can afford to be strictly "managerial" anymore, dealing only with the "known." As an industry undergoes the kind of turmoil that rising oil prices have wreaked on automobiles, increasingly the payoff comes from innovation, not just production efficiencies.

John Z. De Lorean, a refugee from GM, now gives a gossipy glimpse at the damage Sloan's philosophy has wreaked behind the doors of GM itself, in J. Patrick Wright's book, *On a Clear Day You Can See General Motors*. Under Sloan's guidebook, GM is run by committees staffed with engineers and accountants—the most powerful groups in the company. But that system in fact has evolved to a point where the company is "clearly in the hands of the financial side of the business," says De Lorean. A weak company president and strong chairman, as dictated by Sloan, has worked to undercut long-range planning and policymaking and has fostered a promotion and incentive system based on short-term profits and "loyalty to the boss."

The healthy tension Sloan envisioned between centralized and decentralized control is dead. Centralization has won, says De Lorean. "The divisions are more under the operational control of corporate management than at any time in the peacetime history of the corporation," he says. As for Sloan's management-by-committee philosophy, that has turned into "management by task force," where difficult problems are "solved" by assigning groups to study them. De Lorean calls this a "copout... by management saddled with a system that simply does not work."

De Lorean concludes that Sloan's dream has turned into a corporate nightmare, with management "unable to accept criticism inside or outside, totalitarian in its exercise of authority, and thin at the top in the broad-based understanding and experience needed to manage the business." He recommends that GM "shift back to decentralization" and that top management "relinquish its role in formulating operating decisions" and return to its role of "forming corporate policy and planning the company's future."

De Lorean is probably too rough on GM for failing to manufacture small cars sooner. The US automobile market in the past decade has become hostage to

expensive government air pollution and safety standards and has moved from artificially low fuel prices to higher, market prices. No foreign automobile company now grabbing shares of the US market has been quite so wrenched out of one environment and into another. Because GM made the decision to downsize its cars before other US auto makers, there is reason to think that there's life in the old Sloan system yet.

Nonetheless, an organization that encouraged risk taking might have paid more attention to the move toward marketing "world cars" and not focused entirely on what US buyers now demand. It would have placed a premium on innovation (De Lorean contends that GM's last innovation was the automatic transmission) and would not have completely missed the marketing impact of automobile quality. That story—of Japanese manufacturers borrowing US ideas about quality control, incorporating them into their manufacturing systems, and marketing quality as an added advantage—is a sad one indeed.

The dream of combining centralization and decentralization in one organization is the same federalist dream that guided this country after the American Revolution. Now both GM and the United States of America are grappling with the same question: Can this combination work, or does centralized authority eventually overwhelm the weaker decentralized units? Like President Reagan, Sloan's successors must now give smaller profit centers more control over their own destinies—or risk falling behind other, smaller competitors. Whether this reversal in authority is possible after years of inertia is the key organizational question of our time.

Dennis Chase is the international editor of Advertising Age.

health

(Continued from p. 45.)

mutase (SOD) can protect our joints and other tissues against superoxide radicals; injections of SOD into arthritic joints have sometimes had dramatic effects. The enzyme catalase, which breaks down hydrogen peroxide to harmless products, also provides protection. According to McCord's studies, the agents that actually attack the lubricants in our joints are hydroxyl radicals, the nastiest type of free radical known. They are more reactive than fluorine and are so reactive that they can attack the "inert" or "noble" elemental gas xenon.

This is where DMSO comes in. DMSO is not a joint lubricant. DMSO is not an analgesic (pain deadener). Arthritis experiments based on these hypotheses were doomed to failure. DMSO *is* a powerful scavenger of hydroxyl free radicals. Inositol is another such scavenger, though not as powerful as DMSO. By removing the hydroxyl radicals, DMSO provides excellent protection to joint-lubricating fluids and membranes.

That isn't the end of the story, however. After chemically reacting with hydroxyl radicals, DMSO is itself converted to a free radical—not as dangerous as the hydroxyl radicals, but a free radical, nevertheless. Because of this, it is important to use DMSO in conjunction with other antioxidants, like vitamins C, E, and the others mentioned above. Large repeated doses of DMSO have caused cataracts in the eyes of experimental rabbits. Rabbits have relatively poor natural antioxidant enzyme protection compared to humans and, in experiments, could not adequately protect themselves from all those DMSO free radicals. The DMSO radicals oxidized the amino acids cysteine and methionine to their sulfoxide, sulfone, and disulfide forms, impairing the transparency of the lens and cornea in the rabbits. It is important, therefore, that if you choose to use DMSO you be sure it is very pure, use it externally on limited areas of the body, and take plenty of supplemental antioxidant nutrients.

Where do sports injuries come in? We now know that free radical damage is an important part of such injuries. When injuries occur, blood vessels leak blood into surrounding tissues. As the red blood cells hemolyze—that is, break down—they release copper and iron, which are very powerful catalysts of free radical reactions. The blue, black, yellow, and other colors you see in a crushing injury are a result of free radical attacks. The browning of freshly cut fruits such as apples and bananas is another example of free radical reactions, which also damage cell membranes and cause softening. We've found in our personal use that if you apply DMSO quickly enough (preferably in the first half hour, two to four hours at most) to a crushing injury, the colors never form and swelling is greatly reduced.

Dr. Harry Demopoulos of New York University and his coworkers found that prompt injection of DMSO reduced the degree of paraplegia occurring in cats that had been subjected to experimental crushing injuries of the spinal cord. Concussion damage to nerves is principally due to free radicals catalyzed by the leaking copper and iron. Using an electron spin resonance spectrometer (an electronic instrument that identifies and counts free radicals), he found that free radical activity increased to over 100,000 times normal several hours after the injury. Perhaps in the future, we will see DMSO in the emergency medical kits of paramedics, as well as sports physicians and veterinarians.

References to this column are available. Send a stamped self-addressed envelope to this publication, referring to "DMSO."

H & W QUESTION

Q: I live in a small town that doesn't have a health food store. The local drug store carries the usual, run-of-the-mill vitamins but not the more "exotic" nutritional supplements you mention in your columns. Do you have any suggestions about how one might obtain these?

A: Your best sources after local vitamin/nutrient shops are mail-order firms. There are many such companies, although the more "exotic" the nutrient, the more searching you may have to do to find a company offering it. Here are a few mail-order companies that offer a wide variety of vitamins, amino acids, minerals, and other nutrients. We have no financial involvement in any of these companies and we accept no responsibility for dealings with them.

vitamin C crystals

Bronson Pharmaceuticals
4526 Rinetti Lane
La Canada, CA 91011

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(mostly supplied in formulations)

Alacer Corp.
Box 6448
Buena Park, CA 90622

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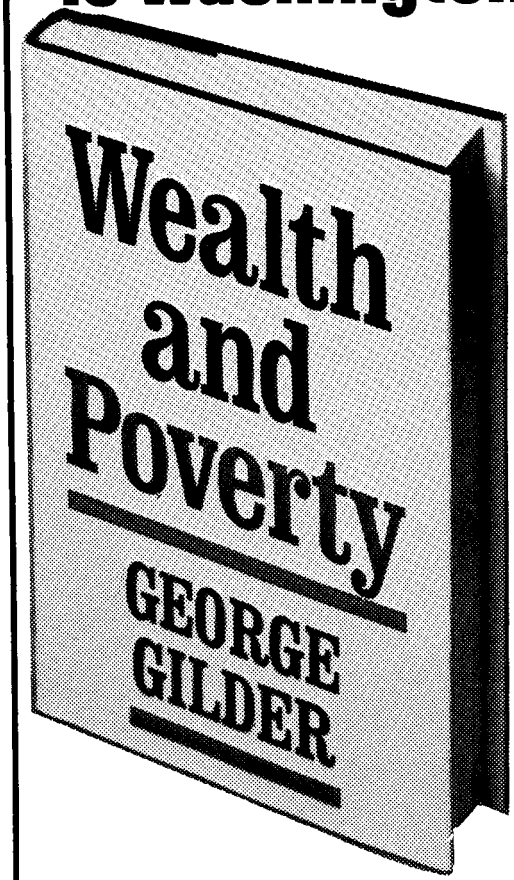
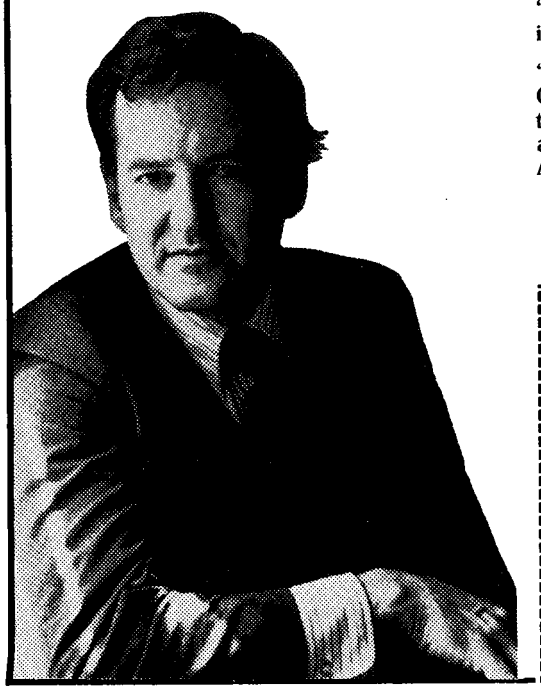
Is Washington Going Capitalist?



Program Director at the International Center for Economic Policy Studies in Manhattan, Mr. Gilder has written speeches for five presidential campaigns and is frequently called to testify before congress on economic matters. He is the author of five books and has written articles for many publications including *Harpers, Forbes, Commentary, The Wall Street Journal,* and *National Review.*



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letters

(Continued from p. 10.)

ism that I have ever read. I only hope that copies of this article have been sent to the people who are responsible for the nominations of Pulitzer prizes.

Wayne Morgan Caverly
Point-Claire, Quebec

Real Blubber

Bully for Lance Lamberton's nailing (Feb.) of Donald Lambro's ignoring the really giant government giveaways in Don's otherwise fine book, *Fat City*. The big fat is not the penny ante stuff of VIP lodges and National Science Foundation's underwriting studies of Peruvian brothels. Instead, it's federal transfer payments, which I estimate in the first quarter of 1981 to come to $400 billion at an annual rate, exclusive of interest on the national debt. Unfortunately, most of this $400 billion lies in those seven areas set aside by President Reagan as untouchable for cost-cutting by OMB and the Congress.

William H. Peterson
University of Tennessee
Chattanooga, TN

How Do You Spell Relief?

I am delighted with your new column, Health & Welfare. For one thing, it is a welcome relief from politics—a necessary concern, but depressing. Keep up the uplift.

Michael A. Wilson
Camarillo, CA

A Quaffing Matter

I am writing to congratulate REASON magazine. I have been a subscriber and avid fan of REASON since its inception. I have very much enjoyed keeping in touch with the intellectual forefront of the libertarian movement through REASON. I have recently been impressed with our magazine's quality. Especially REASON's increasing visibility in the press. Keep up the good work—there are a lot of minds still thirsting for REASON.

Henry T. Thrasher
Virginia Beach, VA

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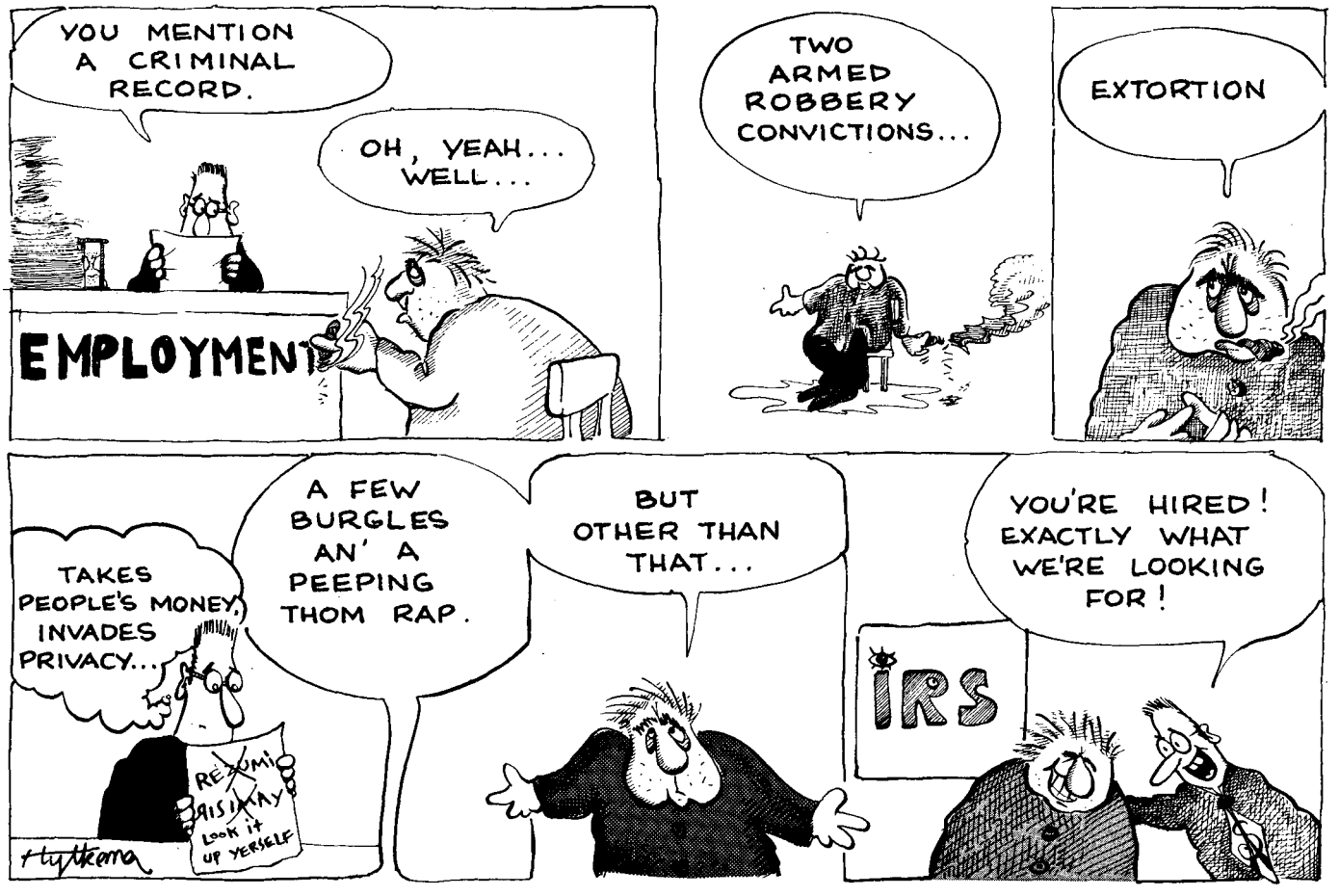

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ART DIRECTOR sought for this very magazine. Must have magazine/graphics experience, be comfortable with working within modest budget, be able to relocate to Santa Barbara. Send résumé and salary requirements to Art Director, REASON, Box 40105, Santa Barbara, CA 93103.

FINANCIAL

THE ARABS HAVE MILLIONS to loan, invest. $25,000-$10,000,000 possible (not Iranian). Free details. Arab-R, 935 Main, Vidor, TX 77662.

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PERSONALS

LIBERTY-LOVING MAN would like to meet people of like mind in Phoenix ara, for friendship and conversation. Contact Robert A. Markley, 1128 East Indian School Rd., Phoenix, AZ 85014. 602/279-7934.

BUSINESS EXECUTIVE visits New York often, would like to meet young, gay Chinese or Puerto Rican man 18-21 to form friendship, take in shows, eat out, etc. Write with photo to: Box AS, REASON.

THE LIBERTARIAN ALLIANCE represents all shades of libertarian opinion and is Europe's most active libertarian group. Write for details to Libertarian Alliance, 40 Floral St., London WC2, U.K. (Or enclose $12 for membership including subscription to all L.A. publications.)

JOIN CHICKEN LITTLE CLUB. Laugh out extremism. For free information, write CHICKEN LITTLE CLUB, Dept. R, Box 174, Cardiff, CA 92007.

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STUDENTS: WHO OWNS YOUR LIFE? We say YOU DO. Students for a Libertarian Society, 2262 Hall Pl., NW, Washington, DC 20007. 202/965-6997.

WANT TO BE ORDAINED? Form your own church? Be non-profit and tax-exempt? Send for details: Farrington, 4964 Union Ave., San Jose, CA 95124.

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PUBLICATIONS

DIABOLICAL DEVICE! Just released report on improvised weapon used by Freedom Fighters in WWII, Hungary, and now by Afghan Patriots protecting the approaches to their retreats. Complete report, detailed drawings, $4.95 ppd. from LLP Dept. RM, Suite 1, 221 E. Camelback, Phoenix, AZ 85012.

CANADIAN SCOOP: LIBERTARIANS SPLIT. Exclusive interview with Unparty President William A. McDonald. Learn why the Libertarian Party of Canada has failed and why the new Unparty hasn't. $3.00 (VISA, MASTERCHARGE). UP-BOOKS, 111 Queen St. E. #402A, Toronto, Ontario, Canada M5C 1S2.

ALL LIBERTARIAN POETS (and poetry lovers) interested in being published and/or subscribing to a new-world literary journal devoted exclusively to liberty, query with SASE for free details: Freedom's Child, c/o Anlician Enterprises, P.O. Box 971, Grover City, CA 93433.

THE ANGLO-AMERICAN ESTABLISHMENT: Conspiracy from Rhodes to Cliveden by Carroll Quigley (posthumous). Fills in what *Tragedy and Hope* left out! $20.00. Free catalog on ruling class/conspiracy scholarship with order. Sample *Conspiracy Digest* $2.95. Alpine Enterprises, Box 766, Dearborn, MI 48121.

49 BIBLICAL CONTRADICTIONS and copy of newsletter. Send $3.00 to Discovery, P.O. Box 20331-RSN, West Valley City, UT 84120.

NO TIME TO READ? LITERATURE OF LIBERTY is a scholarly journal designed to keep you aware of current research in intellectual history, the social sciences, the humanities, law, and philosophy. Subscribe now, only $12/4 issues. Send order and payment to LITERATURE OF LIBERTY, Dept. R, 1177 University Drive, Menlo Park, CA 94025.

REASON BACK ISSUES: Send SASE for availability and prices to Dennis Bohn, Box 401, Kingston, WA 98346.

REAL ESTATE

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THE CLASSIFIED AD DEADLINE FOR THE JULY ISSUE IS MAY 1.

The Psychology of Freedom
Liberty and Love as a Way of Life
by Peter R. Breggin, M.D.

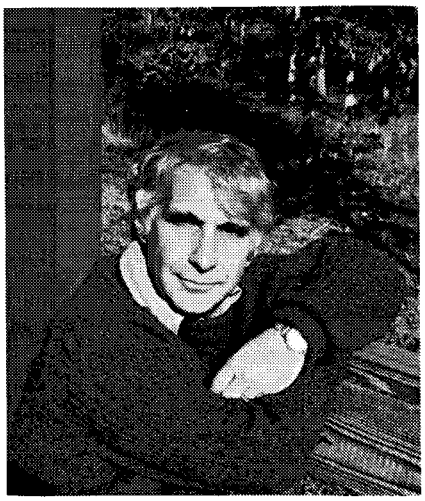
- On love for self and others
  - What is love?
  - Enjoying romantic love
  - Bodily sex and passion
  - Freedom versus love?
  - The fear of loving
  - Pursuing your self-interest
- On self-determination
  - Self-oppression – the key concept
  - Feelings of helplessness & fear
  - Supremacy of reason over emotion
  - Making insight work in your life
  - Personal freedom in everyday life
  - You own yourself
- On parents and children
  - Parenthood without force
  - Raising free & happy children
  - What parents owe children
  - What children owe parents
  - Origins of guilt & shame
  - Transcending your childhood

You don't have to "need help" to benefit from this book. The stronger, braver and more rational you are, the more it will make sense to you. Both an original theoretical work and a practical guide to self-determination and love, it has been praised by scholars and laypersons alike.

For the first time in modern psychiatry, human experiences such as guilt, shame and anxiety, depression, jealousy, alienation, and even the "unconscious," are made understandable in terms of human decision-making. Irrational, self-defeating reactions can be replaced with self-directed activities based on the principles of liberty and love for self and others.

"*The Psychology of Freedom* is a personal as well as a theoretical book. It draws on my personal experience, and tries to address yours. I hope it will put you into closer touch with yourself and with your own deeply cherished values of freedom, individuality, and a love for life."

Peter R. Breggin, M.D.



Peter R. Breggin, M.D. is a psychiatrist in private practice in the Washington, D.C. area, and the author of five books and many articles dealing with psychiatry. Formerly a Teaching Fellow at Harvard Medical School and a fulltime Consultant with the National Institute of Mental Health, he is now Director of the Center for the Study of Psychiatry. Internationally known as America's leading critic of oppressive psychiatric technology, he now responds to the question, "What have you got to offer that's better?" His answer is a systematic, yet common sense presentation of the psychology of self-determination.

A 240 page quality hardback,, published by Prometheus Books, with discount distribution by Lake House Books, PO Box 5919, Washington, D.C. 20014. Discount Price, $11.95, plus $1 postage and handling.

"Valuable for anyone who is involved in life. It confers an understanding of self and others. Truly a magnificent creation. Simple, yet brilliant."
Dallas Cooley, M.D., President, Libertarian Health Association, Fairfax, Virginia.

"This is a lovely book. It speaks to a yearning for self-determination and individual happiness that is the mainspring of today's three great grassroots movements – libertarianism, feminism and the human potential movement."
Joan Kennedy Taylor, nationally syndicated radio commentator (Byline), and co-author, *When to see a Psychologist*, San Francisco.

"A set of surprisingly rich and convincing personal guidelines, head and shoulders above most of the self-help books on the market today."
Roy Childs, Jr., Editor, *Libertarian Review*, San Francisco.

Read the Outstanding Review in this issue of *Reason.*

"Peter Breggin's conception of human consciousness makes more sense to me than anything else I have ever heard. His forceful and down to earth presentation provides a gut level understanding far more meaningful than abstract reasoning alone."
John Muller, President, Laissez Faire Books, New York City.

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Richard Phillips, M.D., Associate Professor of Psychiatry, State University of New York, Syracuse.

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